

# Updated Informative Digest

## Proposed Initial Regulation for California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure

### Sections Affected:

Proposed adoption to California Code of Regulations, title 17, sections 96070, 96071, 96072, 96073, 96074, 96075, 96076, and 96077.

### Documents Incorporated by Reference (Cal. Code Regs., tit. 1, § 20, subd. (c)(3)):

The Regulation does not incorporate by reference any additional documents.

### Background and Effect of the Proposed Regulatory Action:

In 2023 the State Legislature enacted two laws: the Climate Corporate Data Accountability Act (Health and Safety Code section 38532)<sup>1</sup> and the Climate-Related Financial Risk Reporting Act (Health and Safety Code section 38533).<sup>2</sup> These statutes, amended by Senate Bill (SB) 219 in 2024, mandate large U.S.-based companies doing business in California to disclose greenhouse gas (GHG) emissions and climate-related financial risks. Health and Safety Code section 38532 applies to entities with over \$1 billion in annual revenue and requires annual reporting of Scope 1, Scope 2, and Scope 3 GHG emissions. Health and Safety Code section 38533 applies to entities with over \$500 million in annual revenue and mandates biennial reporting of climate-related financial risks and mitigation strategies. These laws aim to protect California stakeholders and build on California's continued climate leadership to help advance transparency around corporate GHG emissions and assess climate-related financial risks.

To provide resources for implementing these programs, the California Air Resources Board (CARB) developed an initial regulation (the "Regulation") to fund operations through two new funds: the Climate Accountability and Emissions Disclosure Fund and the Climate-Related Financial Risk Disclosure Fund. In addition to establishment of the fee program, the Regulation also establishes an initial first year reporting deadline of August 10, 2026, for Scope 1 and Scope 2 emissions under Health and Safety Code section 38532. CARB is proposing key definitions that include "revenue" and "doing business in California" to help entities identify applicability of whether they are in-scope for the Regulation and subject to both emissions reporting and fee requirements.

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<sup>1</sup> Senate Bill 253 (Wiener, Stats. 2023, Ch. 382).

<sup>2</sup> Senate Bill 261 (Stern, Stats. 2023, Ch. 383).

# Objectives and Benefits of the Proposed Regulatory Action:

## Objectives

The Regulation focuses on the following key concepts:

- Establishing fees to fund the implementation of the two climate disclosure programs;<sup>3</sup>
- Specifying certain key definitions that are necessary for developing the fees and supporting reporting under Health and Safety Code section 38532 in 2026;
- Instituting a first-year reporting deadline for Health and Safety Code section 38532; and
- Outlining key applicability criteria consistent with legislative intent.

## Benefits

**Improves corporate greenhouse gas accounting.** Given the narrow scope of the Regulation, CARB does not expect quantifiable benefits to California’s economy (such as cost savings and specific emission reductions). However, the Regulation helps support a program that involves further quantification and reporting of regulated entities’ GHG emissions, which could result in GHG emissions reductions due to improved accounting.

**Increases data transparency.** The Regulation supports the transparency goals of Health and Safety Code sections 38532 and 38533. Increased information about potential climate-related financial risks and company-wide emissions can equip investors, consumers, and other stakeholders by supporting informed decision-making while building corporate accountability.

**Establishes dedicated funding source.** Health and Safety Code sections 38532 and 38533 each authorize the creation of a fee to fund program administration and implementation. The fee provisions provide the funding needed to implement Health and Safety Code sections 38532 and 38533, which are intended to provide accurate, comparable, and decision-useful climate information to investors and the public in California.

## Description of Regulatory Action

On December 23, 2025, CARB released the Notice of Public Hearing (45-Day Notice) and Staff Report: Initial Statement of Reasons for Rulemaking (Staff Report), titled “Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation,” for public review, and made all supporting references available to the public. The Staff Report contains a description of the purpose and rationale for the Regulation. The formal 45-day comment period opened December 26, 2025, and closed on February 9, 2026. CARB received 80 written comments letters, in addition to 2,847 form letter comments, during the 45-Day Notice comment period.

On February 26, 2026, CARB held a public hearing to consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation as described in the 45-Day Notice and Staff Report. At the February 26, 2026, Board hearing, six additional written comments were received in the public comment docket along with comments from 50 individuals who gave oral testimony. At the conclusion of the February 26 hearing, the Board adopted Resolution 26-1, in which it approved the adoption of

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<sup>3</sup> On November 18, 2025, the Ninth Circuit Court of Appeals issued an order temporarily enjoining enforcement of SB 261 until an appeal challenging SB 261 is resolved. In light of this order, CARB will not enforce SB 261 until the injunction is lifted. CARB will nevertheless continue this rulemaking to consider the Proposed Regulation for adoption.

the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation.

On May 19, 2026, CARB submitted the Final Statement of Reasons (FSOR) for the rulemaking action entitled “Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation” and all other rulemaking documents for the Regulation to the Office of Administrative Law (OAL) for its review and approval.

### **Comparable Federal Regulations:**

There are no existing federal regulations that address the same scope as the Regulation, which establishes a fee structure and defines key applicability criteria to implement Health and Safety Code sections 38532 and 38533 and sets a corporate GHG reporting deadline. At the federal level, the U.S. Securities and Exchange Commission (SEC) established a similar framework by proposing climate-related disclosure rules in March 2022 and finalizing them on March 6, 2024. These rules would have required publicly traded companies to disclose climate-related risks and Scope 1 and Scope 2 GHG emissions. However, the SEC voluntarily stayed the rule pending resolution of legal challenges, and the rule did not advance to implementation.

### **An Evaluation of Inconsistency or Incompatibility with Existing State Regulations (Gov. Code, § 11346.5, subd. (a)(3)(D)):**

During the process of developing the proposed regulatory action, CARB conducted a search for any similar regulations on this topic and concluded these regulations are neither inconsistent nor incompatible with existing state regulations.