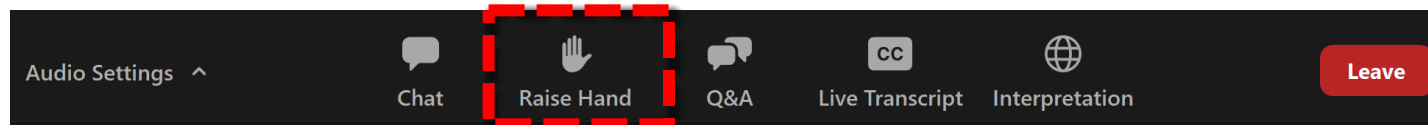


SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs

NOVEMBER 18, 2025

Workshop Logistics

- Workshop Materials link: <https://ww2.arb.ca.gov/our-work/programs/corporate-ghg-reporting/climate-disclosure-meetings-and-workshops>
- Zoom Orientation:
 - Raise Hand
 - Zoom phone participants may dial #2 to “Raise your Hand”
 - The facilitator will inform Zoom phone participants when they are unmuted during Public Comment
 - Dial *6 to mute or unmute



Agenda

1. Welcome and Program Background
2. Overview of Initial Regulation (Fee and Scope 1 & 2 2026 Reporting Deadline)
3. Proposed Definitions and Exemptions/Exclusions
4. Climate-Related Financial Risk Reports & Upcoming Deadlines
5. Public Feedback

Two Decades of State Climate Action

Climate Legislation

- Landmark climate legislation: Assembly Bill 32, 1990 levels by 2020
- 2030 target: 40% GHG reduction below 1990 levels (SB 32)
- 2045 target: Carbon neutrality, 85% GHG reduction below 1990 levels (AB 1279)

Existing CARB efforts to reduce GHG emission

- Cap-and-Invest
- Low Carbon Fuel Standard (LCFS)
- Mobile source regulations

Existing CARB GHG reporting

- Mandatory Greenhouse Gas Reporting Regulation (MRR)
 - Scope 1 emissions reporting from large emitters
- Low Carbon Fuel Standard (LCFS)
 - Scope 1 and Scope 2 emissions reporting for fuels producers

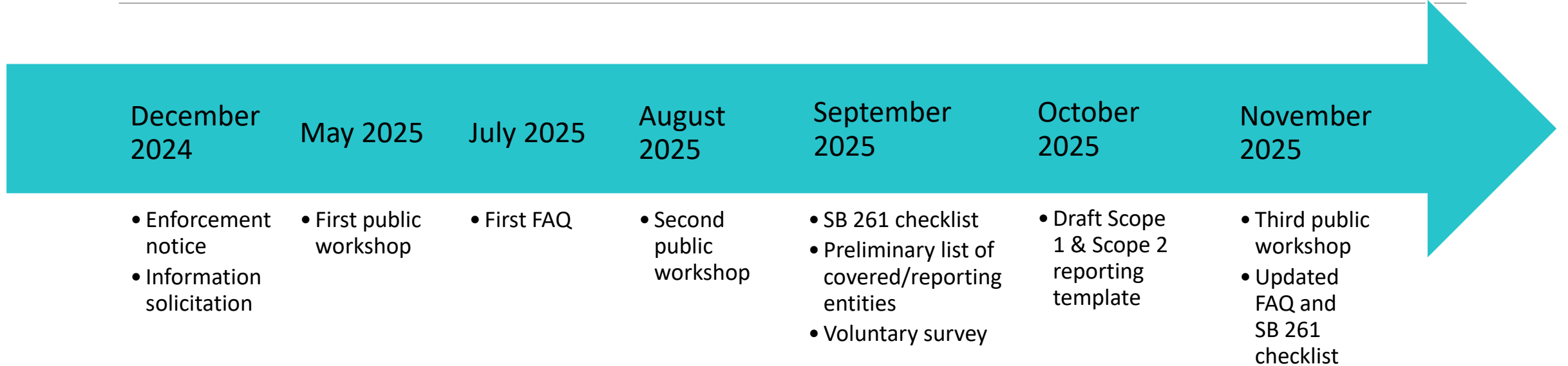
Overview of Relevant Legislation

- California Climate Disclosure Laws: SB 253, 261, 219 (Health & Safety Code (HSC) §§ 38532 and 38533) – “the 200s”
 - Improve transparency on corporate climate-related risks and emissions
 - Inform consumers and investors of climate-related business considerations

SB 261 and SB 253 Overview

	SB 253	SB 261
Requirements	Greenhouse gas disclosure	Climate risk reporting
Applies To	- U.S.-based entities - Doing business in California >\$1 billion in annual revenue	- U.S.-based entities - Doing business in California >\$500 million in annual revenue
Deadlines	- Scope 1 and Scope 2 in 2026 - Scope 1, 2 and 3 in 2027+	- Post on company website by January 1, 2026 - Biennial thereafter
Alignments Allowed	GHG Protocol	- TCFD 2017 (or subsequent iterations) - ISSB Standards (IFRS S2) - Required by a government (US or other) or exchange- HSC § 38533(b)(3)(A)

Public Process to Date



- CARB's latest guidance regarding both SB 253 and SB 261 compliance is available now on CARB's website

Initial Regulation: Fees & 2026 Reporting Deadline

SB 253/261 (HSC §§ 38532/38533)

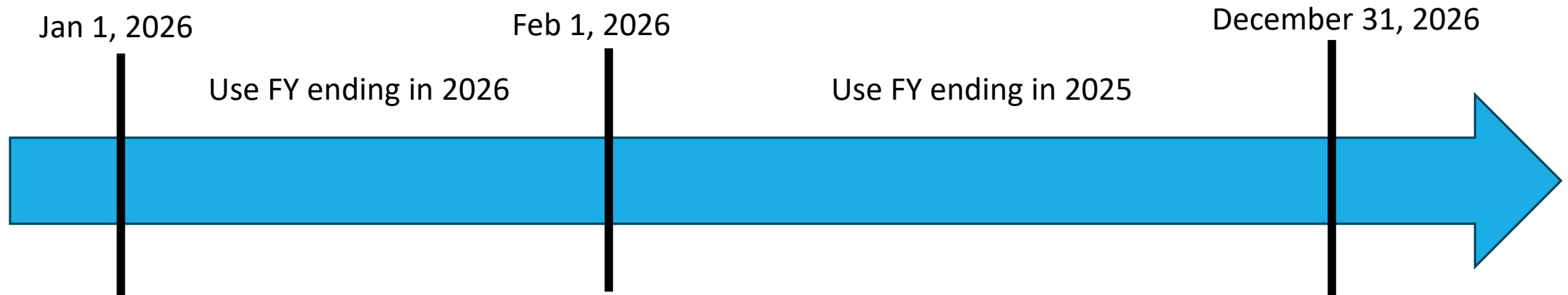
Initial Regulation Overview

- Initial regulation will establish:
 - A first-year only reporting deadline for SB 253
 - Administration fee calculation, collection and penalties

Initial Regulation: 2026 Reporting Deadline

Initial Regulation: SB 253 First-year Only Reporting Deadline

- Based on stakeholder feedback, Staff is proposing a first year Scope 1 and Scope 2 emissions reporting deadline of August 10, 2026
 - If the reporting entity's fiscal year ends between January 1 and February 1, 2026, the entity will report data from the fiscal year ending in 2026.
 - If the reporting entity's fiscal year ends between February 2 and December 31, 2026, the entity will report data from the fiscal year ending in 2025.
 - Each entity will have at least 6 months after end of their fiscal year to submit their report.



Supporting SB 253 Compliance

- In December 2024, staff clarified in the [Enforcement Notice](#) that CARB will exercise its enforcement discretion for good-faith first-year submissions, aimed at supporting reporting entities actively working toward full compliance
- Common questions CARB has received:
 - Is use of the draft Scope 1-2 template required in 2026?
 - No. Use of the template is optional for 2026 reporting.
 - Can companies submit existing GHG reports that cover Scope 1 and Scope 2 emissions?
 - Yes. If a company develops its own annual report that includes information on Scope 1 and 2 emissions, that company may submit that report to CARB for 2026 reporting.
 - If a company was not collecting data or was not planning to collect data at the time the Enforcement Notice was issued, what should they do?
 - Entities that were not collecting data or were not planning to collect data, at the time the Enforcement Notice was issued, are not expected to submit Scope 1 and 2 reporting data in 2026.
 - Such entities should submit a statement on company letterhead to CARB, stating that they did not submit a report, and indicating that in accordance with the Enforcement Notice, the company was not collecting data or planning to collect data at the time the Notice was issued
 - Is data assurance required for 2026 reporting?
 - For 2026 reporting, limited assurance is not required for data submission.

Initial Regulation: Fees

Initial Regulation: Fees

- The 200s authorize CARB to assess an annual fee for the implementation and administration of the new reporting programs. Companies subject to regulation will be assessed the fee.
- CARB has experience with this kind of structure through its AB 32 Cost of Implementation (COI) Fee Regulation.
- AB 32 COI Fee Regulation was adopted to support implementation of AB 32
- CARB introduced an initial concept on the fee provisions in the August public workshop.
- Staff has reviewed public feedback solicited from the comment period following the August workshop.

Initial Regulation: Fees (II)

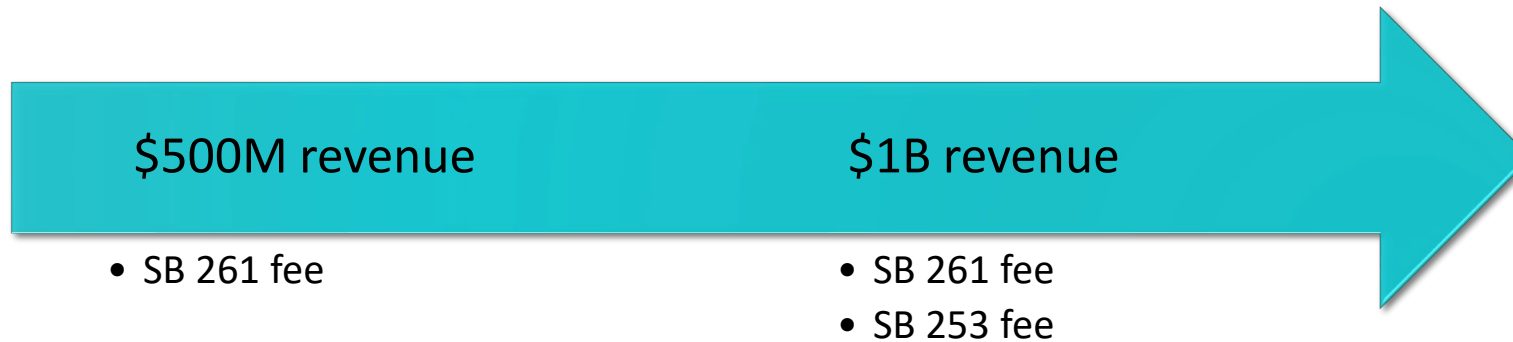
- Annual ongoing costs of implementing SB 253/261 programs: \$13.9M
- CARB's program administration costs also include a one-time cost to set up the program: \$20.7M, which was temporarily funded through a loan from the Greenhouse Gas Reduction Fund (GGRF) for Fiscal Year (FY) 24/25 and 25/26

Initial Regulation: Fees (III)

- Staff is still pursuing a “flat” fee structure to cover SB 253 and SB 261 implementation costs.
- Flat annual fee for each program calculated as:
$$\frac{\text{Annual Program Cost}}{\text{Number of Regulated Entities}}$$
- CARB will issue fee invoices based on the number of that are required to report in 2026 under SB 253 and SB 261.
- Each covered subsidiary is still assessed its own fee. A parent company may pay all fees in one combined payment.
 - Example: If Company A has three in-scope subsidiaries (Companies B, C, and D), Company A may submit a single combined payment covering Companies A, B, C, and D.

Initial Regulation: Fees (IV)

- Entities with more than \$500M and less than \$1B in revenue pay only SB 261 fee annually
- Entities with more than \$1B in revenue pay both SB 253 fee and SB 261 fee annually



Preliminary Number of Regulated Entities

- At the August workshop, CARB estimated the number of regulated entities using CA Secretary of State (CA-SoS) data and a proprietary dataset
- **Goal of the Preliminary List:** To help estimate approximate numbers of potentially subject to HSC §§ 38532 and 38533. *This list is not a compliance tool.* Each potentially regulated entity remains responsible for compliance.
- Stakeholder feedback raised several issues with the list, including duplicative entries and missing entries

Existing Data Concerns

Challenges and limitations remain, recognized by staff and emphasized in stakeholder feedback to the preliminary list:

- **Major holes:** There are several major companies missing from the CA-SoS list that certainly meet the eligibility thresholds for the 200s, including major household names that control significant market shares of high-emitting industries
- **Imprecise revenue estimates:** Concerns were raised about the accuracy of the revenue estimates from proprietary datasets underpinning the preliminary list, especially for unverifiable private company revenue estimates calculated by third-party data providers
- **Outdated information:** Proprietary datasets not updated annually, limiting usefulness for year-to-year comparisons needed to track companies moving in and out of revenue threshold

Future Data Considerations

- CARB must accurately identify all entities subject to the 200s on an annual basis for fee purposes, including revenue and doing business
- Publicly available data sources are insufficient for verifiable year-to-year assessments, creating implementation risks
- CA-SoS data downloads:
 - May be incomplete or outdated for needed time period of analysis
 - Do not include revenue information
 - Fail to provide information necessary for determining statutory exemptions (e.g., teleworkers)
 - Are not available in a user-friendly format requiring staff resources for processing

Corporate Tax Filings

- Tax filing data from Franchise Tax Board (FTB) contains the most up-to-date and verifiable data
- Entities filing with FTB will automatically meet revenue and doing business definitions proposed by staff in next section
- Accessing a subset of FTB data could provide a permanent solution that will greatly streamline data collection and verification and reduce program implementation costs

Entity Type	Tax Form	Total Revenue (Gross Receipts)	CA Sales ('Doing business')
Corporation	Form 100	Schedule F, Line 1a	Schedule R-1, Col(b)
S-Corporation	Form 100S	Schedule F, Line 1a	Schedule R-1, Col(b)
Partnership	Form 565	Line 1a	Schedule R-1, Col(b)
LLC	Form 568	Schedule B, Line 1a	Schedule R-1, Col(b)

Initial Regulation: Proposed Definitions

SB 253/261 (HSC §§ 38532/38533)

Revenue

- **California Revenue and Taxation Code (RTC) § 25120(f)(2):** *The gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold.*
- Gross receipts is verifiable on FTB fax filings
- To account for annual changes in revenue, applicability would be determined by the lesser of the entity's two previous fiscal years of revenue

Doing Business in CA

- After reviewing public feedback, staff refined definition of “doing business in California” proposed during the August workshop
- Staff propose defining “doing business in California” using Revenue and Tax Code § 23101 for both SB 253 and SB 261
- Staff propose omitting Section 23101(b)(3-4) relating to property holdings and payroll
 - Regulated entities should have significant economic nexus within the state of California

Doing Business in CA (II)

RTC § 23101, omitting § 23101(b)(3)-(4)

§ 23101(a): “Doing business” means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit.

§ 23101(b): An entity is doing business in California if the entity is doing business (as defined in section 23101(a)), and any of the following conditions is met during any part of a reporting year:

- (1) The entity is organized or commercially domiciled in this state.
- (2) Sales, as defined in The Revenue and Taxation Code subdivision (e) or (f) of Section 25120 as applicable for the reporting year, of the entity in this state exceed the inflation adjusted thresholds of seven hundred thirty-five thousand and nineteen (\$735,019) (2024). For purposes of this paragraph, sales of the entity include sales by an agent or independent contractor of the entity. For purposes of this paragraph, sales in this state shall be determined using the rules for assigning sales under Sections 25135 and 25136, and the regulations thereunder, as modified by regulations under Section 25137.

Parent-subsidary

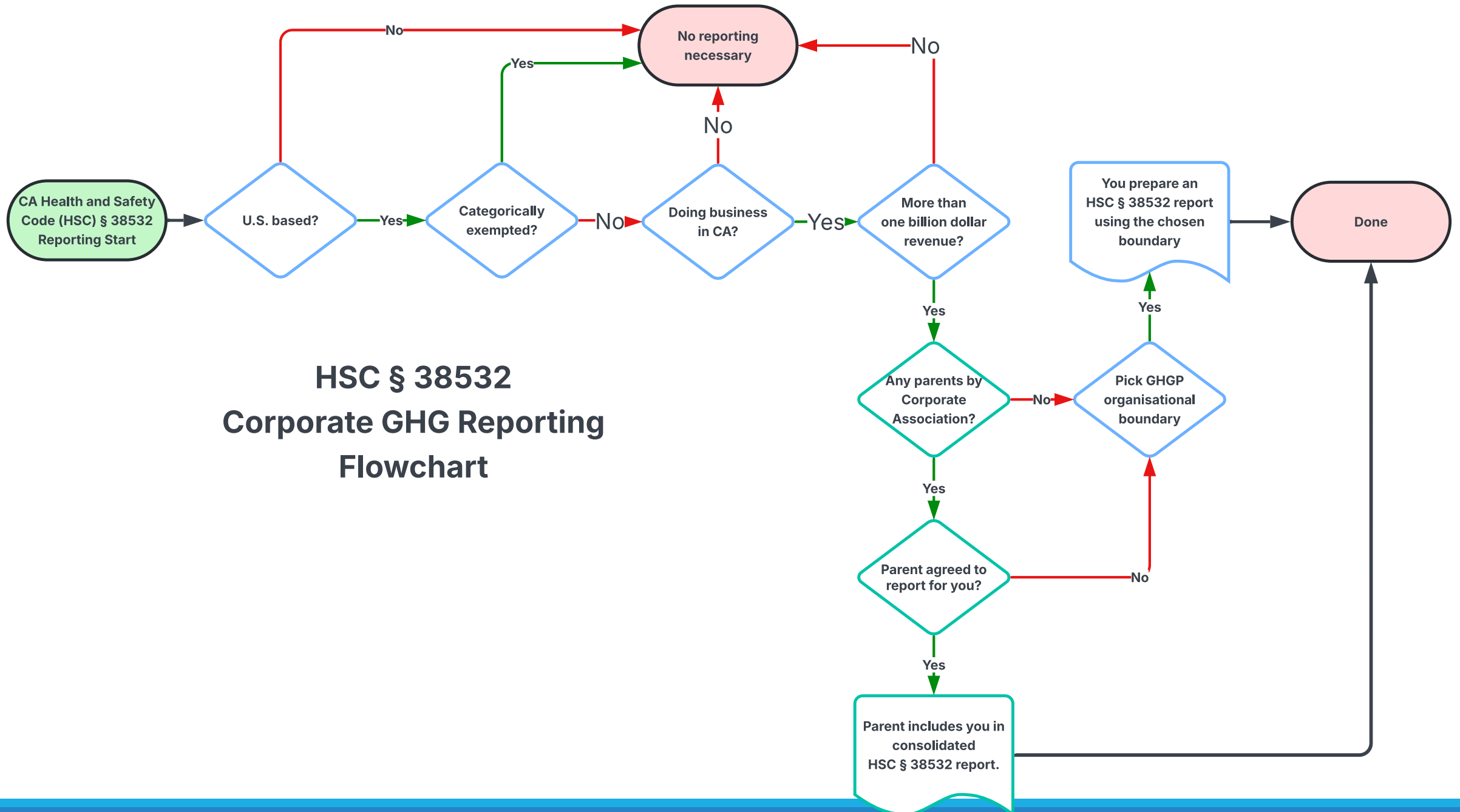
- A business entity is a subsidiary if another business entity has ownership interest in or control of the first entity by **direct corporate association** as defined by Title 17, California Code of Regulations, § 95833
 - A business entity is a parent if it has at least one subsidiary
 - The above definition aligns with CARB's Cap-and-Invest program definition
- A subsidiary may request for a parent to report on the subsidiary's behalf
- Parent-subsidary relationships **do not** determine which entities are regulated

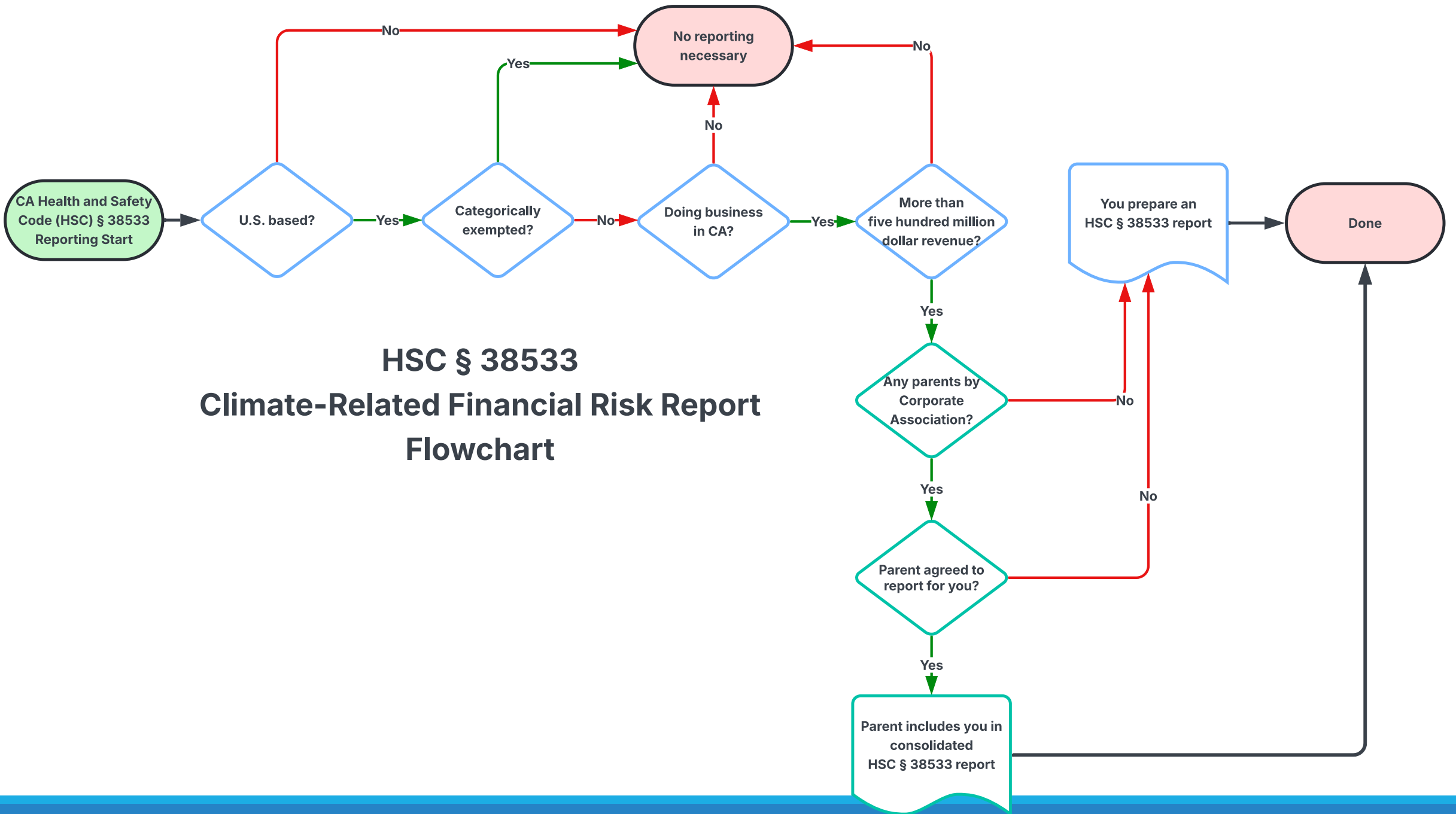
Direct Corporate Association

- Per Cal. Code Regs. Tit. 17, § 95833: *A corporate association exists when one entity has an ownership interest in or control over a second entity. The following indicia of control determine ownership or control:*
 - Greater than 50 percent of ownership of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other entity;
 - Greater than 50 percent of common owners, directors, or officers of the other entity;
 - Greater than 50 percent of the voting power of the other entity;
 - In the case of a partnership other than a limited partnership, greater than 50 percent of the interests of the partnership;
 - In the case of a limited partnership, greater than 50 percent of control over the general partner or greater than 50 percent of the voting rights to select the general partner; and
 - In the case of a limited liability corporation, greater than 50 percent of ownership in the other entity regardless of how the interest is held.
- *A direct corporate association also exists when two entities are connected through a line of more than one direct corporate association.*

Parent-Subsidiary Example

- Question: If a U.S.-based parent entity has a subsidiary doing business in California, is that U.S.- based parent entity automatically deemed to be doing business in California?
- Answer: Inclusion criteria should be assessed on an individual company basis. If a company meets the inclusion criteria thresholds, then it is subject to the applicable requirements of HSC §§ 38532 and/or 38533. Both the subsidiary and the U.S.-based parent company assess their own compliance obligations based on the criteria outlined in statute and the proposed definitions provided.





HSC § 38533
Climate-Related Financial Risk Report
Flowchart

Exclusions and Proposed Exemptions

Based on stakeholder comments, staff proposes the following exemptions

- Non-profit or charitable organizations, defined as tax-exempt under the Internal Revenue Code.
- Entities whose only business in California is the presence of teleworking employees.

The following entities are excluded by statute and need not be exempted.

- Federal, State, and local government entities, and companies that are majority-owned by government entities (>50.00%)
- A business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state

Summary

- CARB staff have detailed CARB's latest regulatory concepts to help entities identify whether they are within the scope of the regulation, and to provide any desired feedback
- CARB's published preliminary list of regulated entities offers a starting point, but companies should consider the updated proposed definitions in light of their organizational structure and FTB tax filings
- It is the **responsibility of entities** to review the updated proposed definitions and determine their obligations under the reporting programs
- CARB is focused on supporting compliance as the program begins

Climate-Related Financial Risk Reports

SB 261 (HSC § 38533)

SB 261 Reporting Deadline

- First reports are due on January 1, 2026, per statutory deadline
- Extended timeline for initial regulation does not impact first year reporting
- CARB will open a docket starting December 1, 2026, and will close it on July 1, 2026. Reports must be posted on company website by the statutory reporting deadline of January 1, 2026, and a link to that report must be submitted to the CARB docket by July 1, 2026

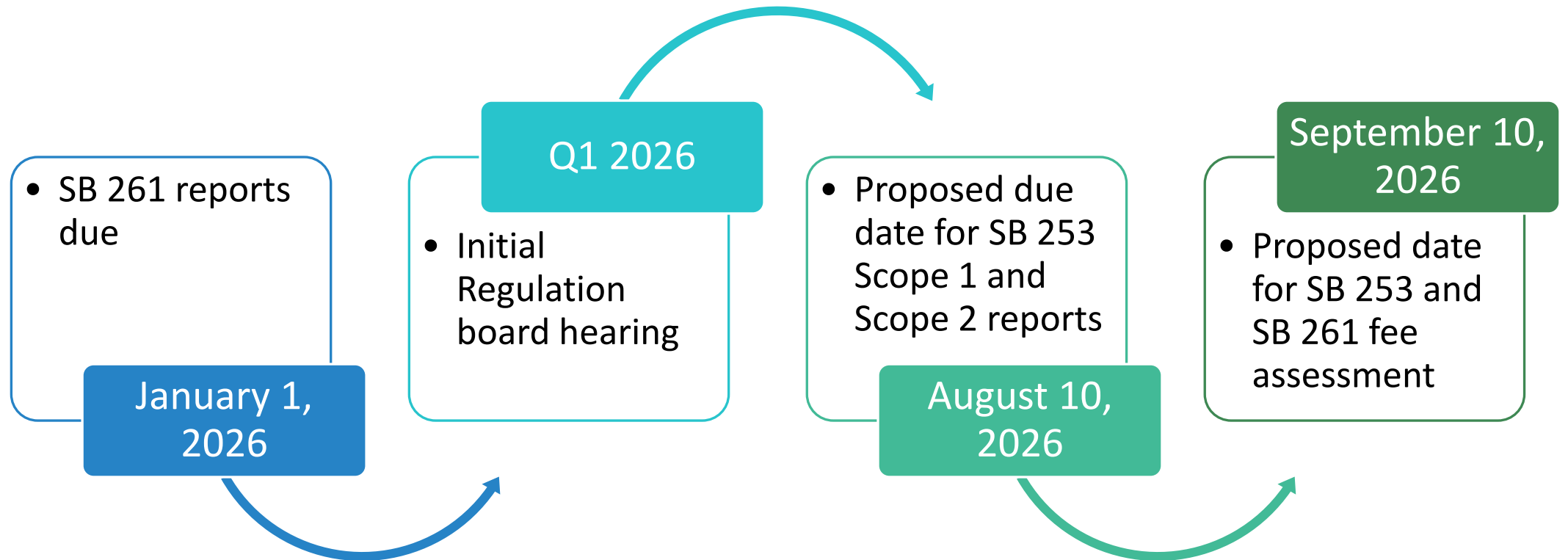
SB 261 Minimum Reporting Requirements

- Staff have posted a detailed SB 261 reporting checklist on its website that tracks SB 261's reporting requirements and deadlines
- Entities in the early stages of evaluating climate-related risks may begin by disclosing how these risks relate or may be relevant, even if no material risks have yet been identified or actions taken.
- Entities may include in their disclosures a description of gaps, limitations, and assumptions made as part of their assessment of climate-related issues.
- Entities may use one of several frameworks to meet disclosure requirements:
 - TCFD Final Report of Recommendations (2017) or subsequent iterations
 - International Financial Reporting Standards (IFRS) Disclosure Standards
 - A report developed in accordance with any regulated exchange, national government, or other governmental entity (see HSC § 38533(b)(3)(A) for details)

SB 261 Minimum Reporting Requirements (II)

- Each report submitted to CARB should:
 - Contain a statement on which reporting framework is being applied
 - Discuss which recommendations and disclosures have been compiled and which have not
 - Provide a short summary of the reasons why recommendations/disclosures have not been included as well as discussion of any plans for future disclosures
- Four overriding principles underpin climate related risk disclosures, informed by TCFD (2017) and IFRS S2:
 - Governance
 - Strategy
 - Risk Management
 - Metrics & Targets

Next Steps: Upcoming Deadlines



Next Steps: Preview of 253 rulemaking

- Subsequent rulemaking for SB 253 will establish other program requirements, including but not limited to:
 - Data assurance requirements
 - Further enforcement provisions
 - Recurring reporting deadline beyond 2026
 - Reporting templates
- Public feedback on Scope 1 & 2 Reporting Draft Template:
 - Docket closed October 27th, 2025
 - > 100 public comments from businesses, trade associations, individuals, and NGOs
 - Main themes include organizational boundary flexibility, emissions intensity disclosures, assurance, emission reductions, gas vs. source disclosures, scope 2 market- and location-based reporting
 - CARB is reviewing and evaluating stakeholder feedback to inform future drafts

Next Steps: Scope 3 Reporting

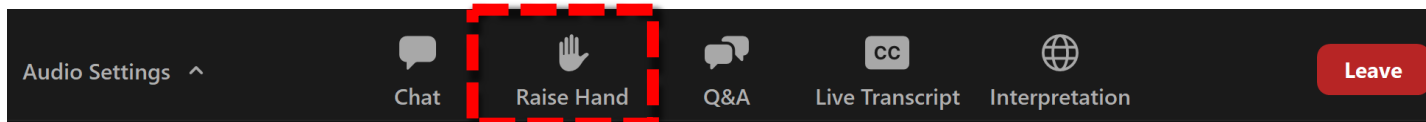
	Upstream scope 3 emissions	Downstream scope 3 emissions
Scope 3 category	1. Purchased Goods and services 2. Capital goods 3. Fuel and energy-related activities (not included in scope 1 or scope 2) 4. Upstream transportation and distribution 5. Waste generated in operations 6. Business travel 7. Employee Commuting 8. Leased assets	9. Downstream transportation and distribution 10. Processing of sold products 11. Use of sold products 12. End of Life treatment of sold products 13. Leased assets 14. Franchises 15. Investments

CARB invites feedback on which of the 15 Scope 3 categories are most used by companies today and/or most helpful for investors and consumers.

Send suggestions to **climatedisclosure@arb.ca.gov** or contact CARB staff.

Feedback / Questions

1. Questions will be taken virtually through Zoom
2. Raise Hand
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Continued Engagement

We value your feedback – stakeholder input is critical to shaping this program

Public docket will be open for the 45-day comment period associated with publication of the notice package for the initial rulemaking

Sign up with the listserv to stay engaged and be notified of future public workshops and updates:

<https://ww2.arb.ca.gov/our-work/programs/california-corporate-greenhouse-gas-ghg-reporting-and-climate-related-financial>

Questions or Comments? Contact us at: ClimateDisclosure@arb.ca.gov