

Companies Covered by the California Climate Disclosure Laws: An Updated Estimate

Background

In October 2023, California Governor Gavin Newsom signed into law two key pieces of legislation that will provide investors, consumers, and other stakeholders with information about how companies are managing their climate change-related financial risks. The first-in-the-nation legislation will require companies to provide standardized and consistent climate-related disclosures.

- The **Climate Corporate Data Accountability Act (SB 253)** requires large companies doing business in California to publicly disclose their greenhouse gas (GHG) emissions across their value chains (scopes 1, 2, and 3). The new law applies to U.S. and multinational companies—including publicly and privately held corporations, LLCs, and partnerships—with revenues of more than \$1 billion. These revenues need not be generated in California. If a company does business in California—a test that will be defined by the California Air Resources Board (CARB) in its regulatory implementation—and generates more than \$1 billion of revenue as a corporate entity, it will be required to report under SB 253.
- The **Climate-Related Risk Disclosure Act (SB 261)** will also apply to companies doing business in California with revenues exceeding a lower threshold, \$500 million. It will require these companies to biennially detail how climate change poses risks to their operations not just in California, but around the world, in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures.

Now that clean-up legislation has been enacted in the form of SB 219 and CARB has begun implementing these landmark disclosure laws, an updated accounting of the number of companies covered by SB 253 and SB 261 is necessary to more accurately inform the public conversation about the reach of the two laws.

Ceres contracted with S&P Global to produce an updated analysis of the public and private companies that will likely be covered by SB 253 and SB 261. It should be noted that private company revenue data is inherently challenging to source, as private companies are not required to disclose financial information to the public. Estimates of the number of companies covered by these laws vary

widely depending on the source of the data. Ceres also independently surveyed various databases to see how the results compared to S&P Global's findings (See Methodology, below).

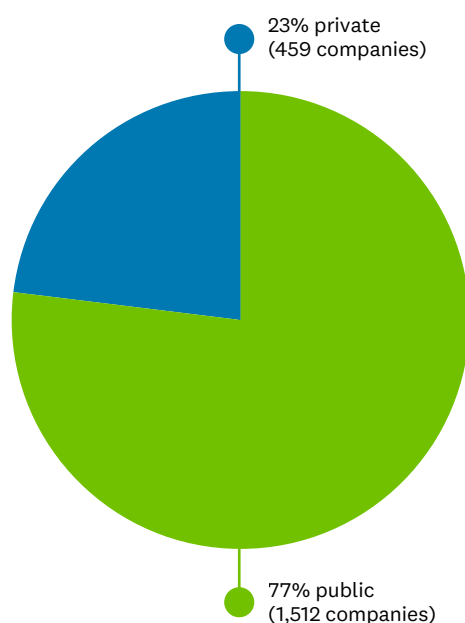
The S&P analysis¹ of fiscal year (FY) 2022 data finds that:

- **1,971 companies have revenues over \$1 billion and are likely covered by SB 253, more than three-quarters of them public companies** (figure 1, left). Among these companies, revenue distribution is skewed towards the largest companies, with 47% of covered public companies and 42% of covered private companies generating more than \$4 billion in revenue.
- **2,675 companies have revenues over \$500 million and are likely covered by SB 261, 73% of them public companies** (figure 1, right). As one might expect, when accounting for companies with revenues between \$500 million and \$1 billion (those covered by SB 261 but not by SB 253), private companies are more well represented.

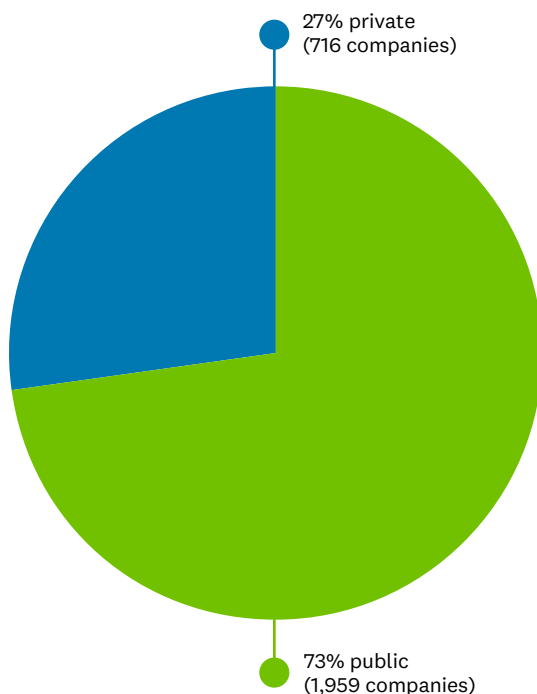
These estimates do not include nonprofit entities. The definition of impacted entities in the legislative text will depend on CARB's interpretation of "doing business in California."

Figure 1 • S&P Analysis of Fiscal Year 2022

Revenues over \$1 billion USD



Revenues over \$500 million USD



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These estimates from S&P differ from preliminary estimates that Ceres conducted, which found that over 5,000 companies would likely be covered by SB 253 and over 10,000 by SB 261. Those preliminary estimates, based on D&B Hoovers data, likely overstated the number of companies covered by the laws. This was due in large part to methodological differences: searches of some databases for all company names over a certain revenue threshold will list multiple separate subsidiary entities and branches under a controlling parent company, which does not accurately reflect the fact that most companies subject to the California laws will opt to report at the consolidated parent company level. This double-counting of subsidiaries and branches leads to a significantly inflated count of private companies covered by the laws. Searching for a list of unique names among ultimate parent companies, rather than a count of all companies, would have yielded a more realistic estimate.

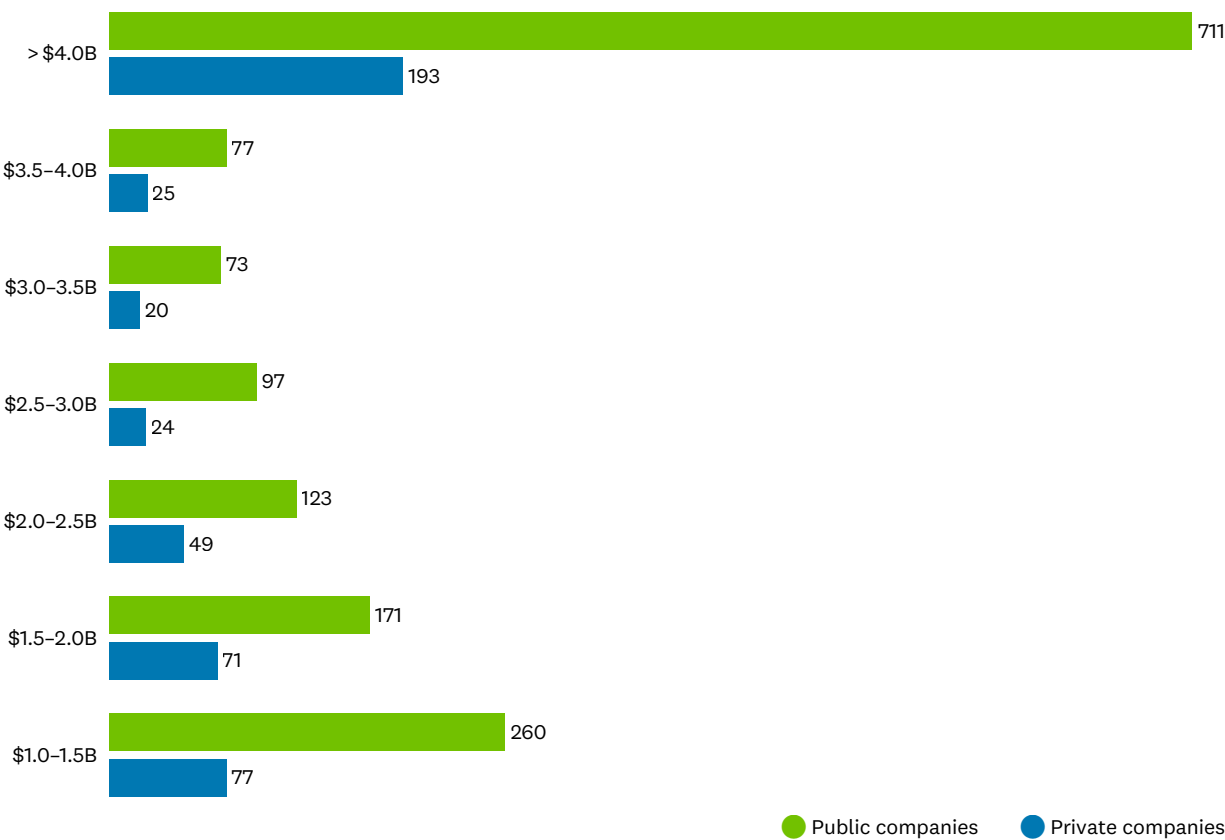
Given S&P's standing as a leading provider of financial information, we are choosing to present the S&P findings as one plausible estimate of the number of companies covered by these laws. These results are subject to change, since this report does not attempt to identify which companies "do business in California." CARB has not yet defined that term, so we did not attempt to screen for companies that do business in the state. These findings are also based on fiscal year 2022 revenue alone, under the assumption that an overwhelming portion (but not all) of the companies that meet the laws' revenue thresholds will likely do some amount of business in California (see, for example, the California Franchise Tax Board's definition of doing business in the state).

These findings were derived from S&P's Capital IQ Pro screening tool. S&P Global did not provide Ceres with direct company-specific information due to licensing considerations; all information was provided in the aggregate.

Detailed SB 253 Findings

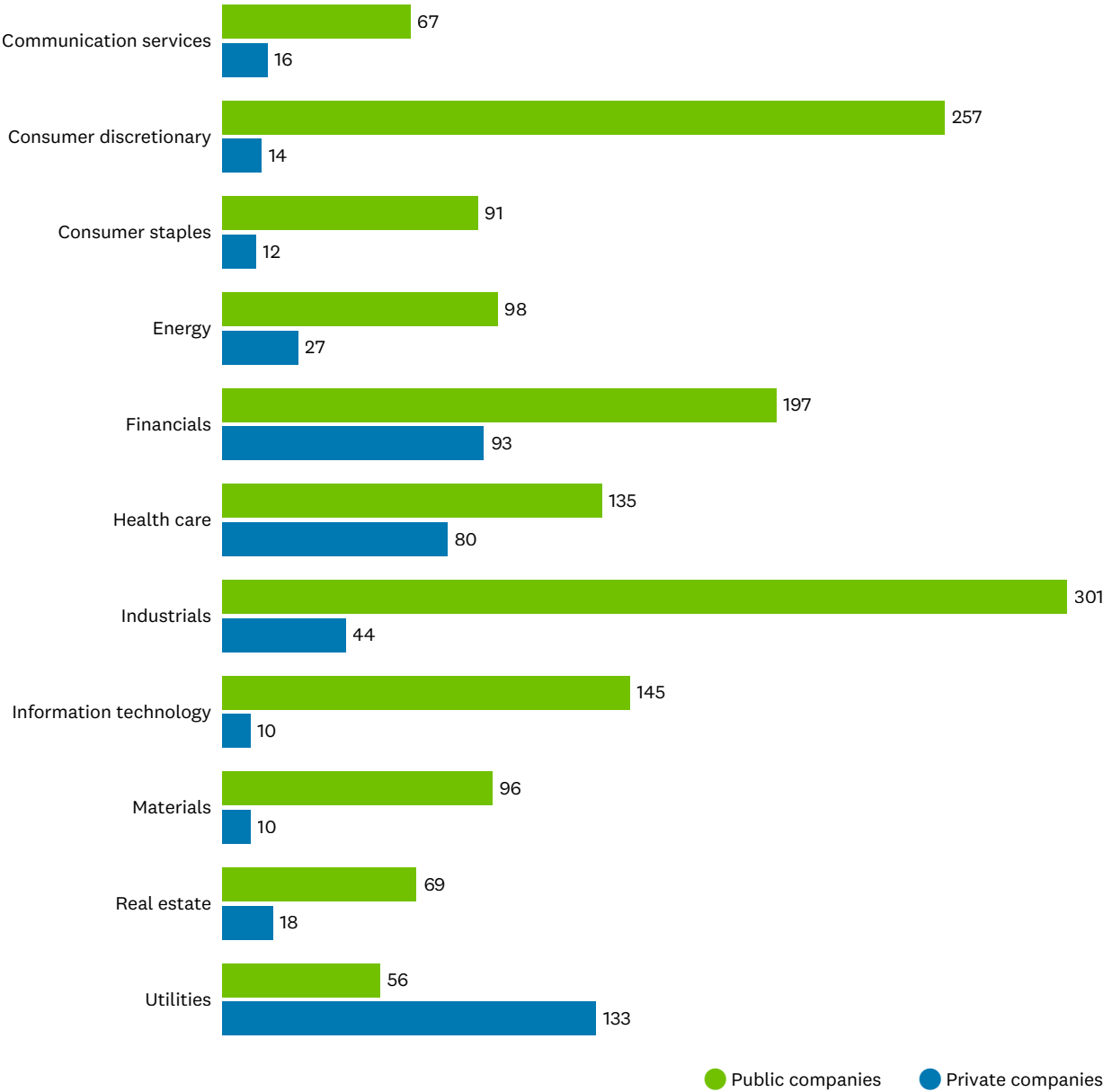
Some 1,971 companies have revenues over \$1 billion and are likely covered by SB 253, more than three-quarters of them public companies. Revenue distribution is skewed towards the largest companies, with 47% of covered public companies and 42% of covered private companies making more than \$4 billion in revenue. The distribution of revenue among covered companies is very similar for public and private companies, although covered private companies are slightly more likely to be relatively smaller in size, with 43% of private companies generating less than \$2.5 billion in revenue (vs. 37% of public companies).

Figure 2 • Distribution by Revenue (in USD)



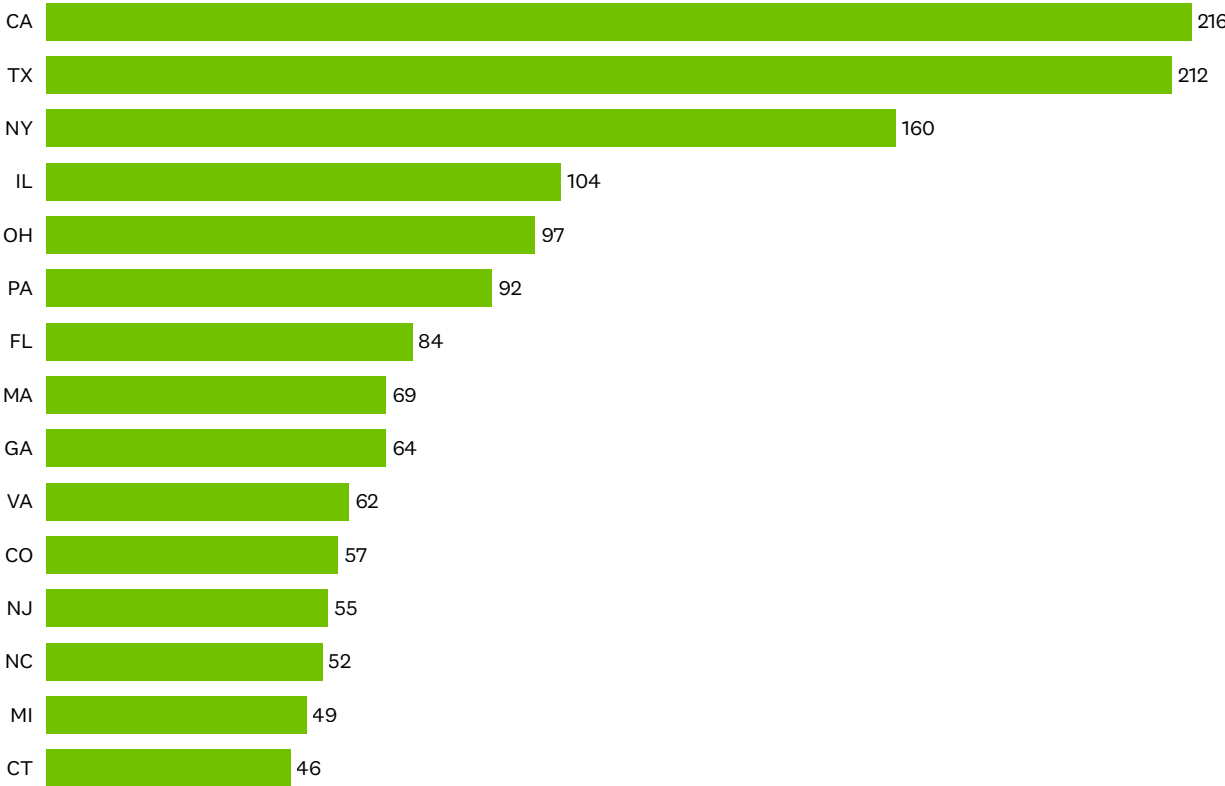
Utilities are the most heavily represented private companies above \$1 billion in revenue, and the least represented among covered public companies. Since utilities tend to have concentrated geographic footprints, the “doing business in California” test will be an important factor in determining which of those companies are actually covered by the laws (reminder: this report does not attempt to filter for companies doing business in California, since that test has not yet been spelled out in regulation). Financial firms are well represented among both public and private companies.

Figure 3 • Industry Representation, Public vs. Private Companies



Although SB 253 and SB 261 are state laws, they will apply to companies across the United States that do business in California. Although California-headquartered firms comprise 11% of companies with revenues over \$1 billion that are likely to be covered by SB 253, many other states are home to dozens or hundreds of companies that are expected to be subject to the law. Texas alone nearly matches California’s leading total of 216. Figure 4, below, is a breakdown of the top 15 states that host headquarters of companies with revenues over \$1 billion. Collectively, these 15 states represent 72% of all companies expected to be covered by SB 253.

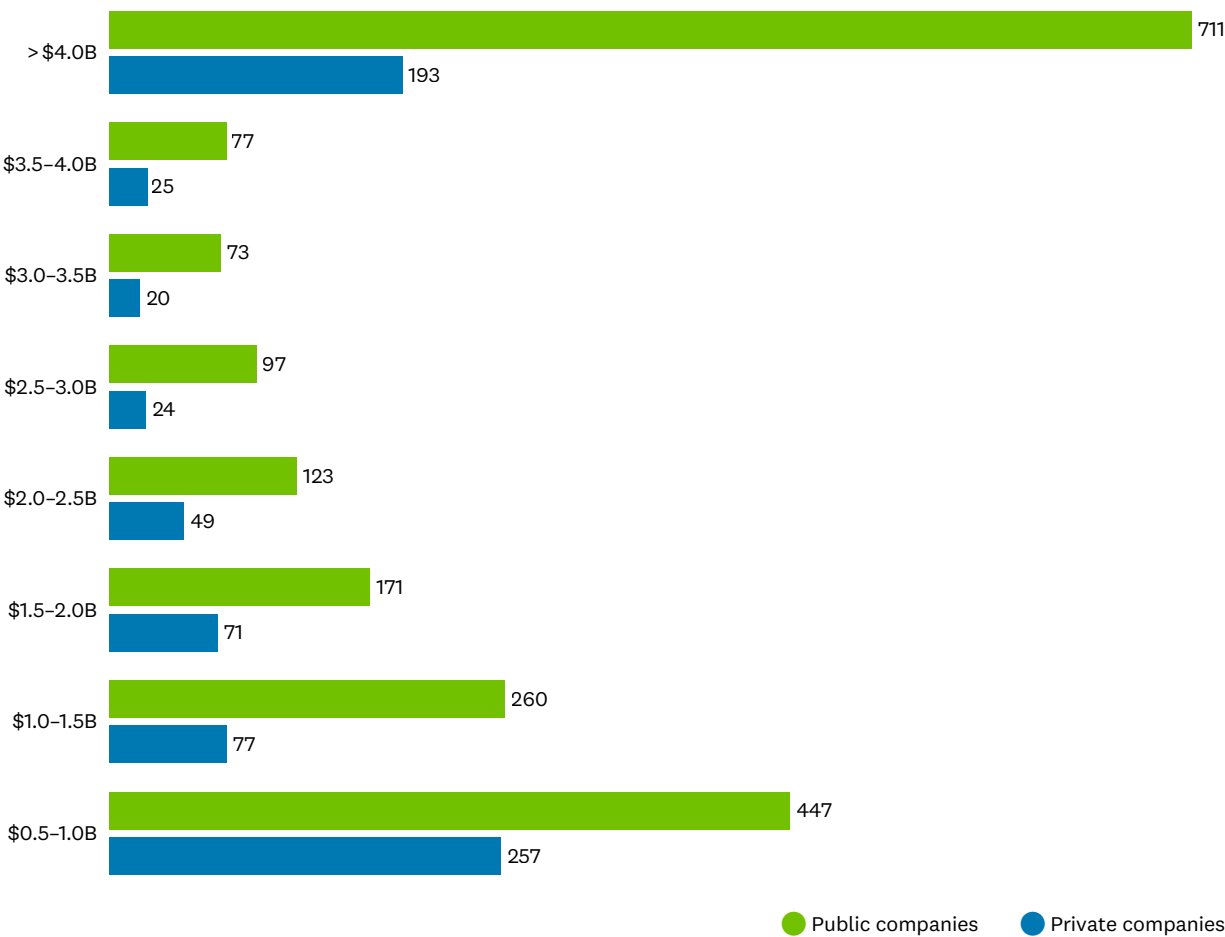
Figure 4 • States in Which Companies Are Headquartered (SB 253)



Detailed SB 261 Findings

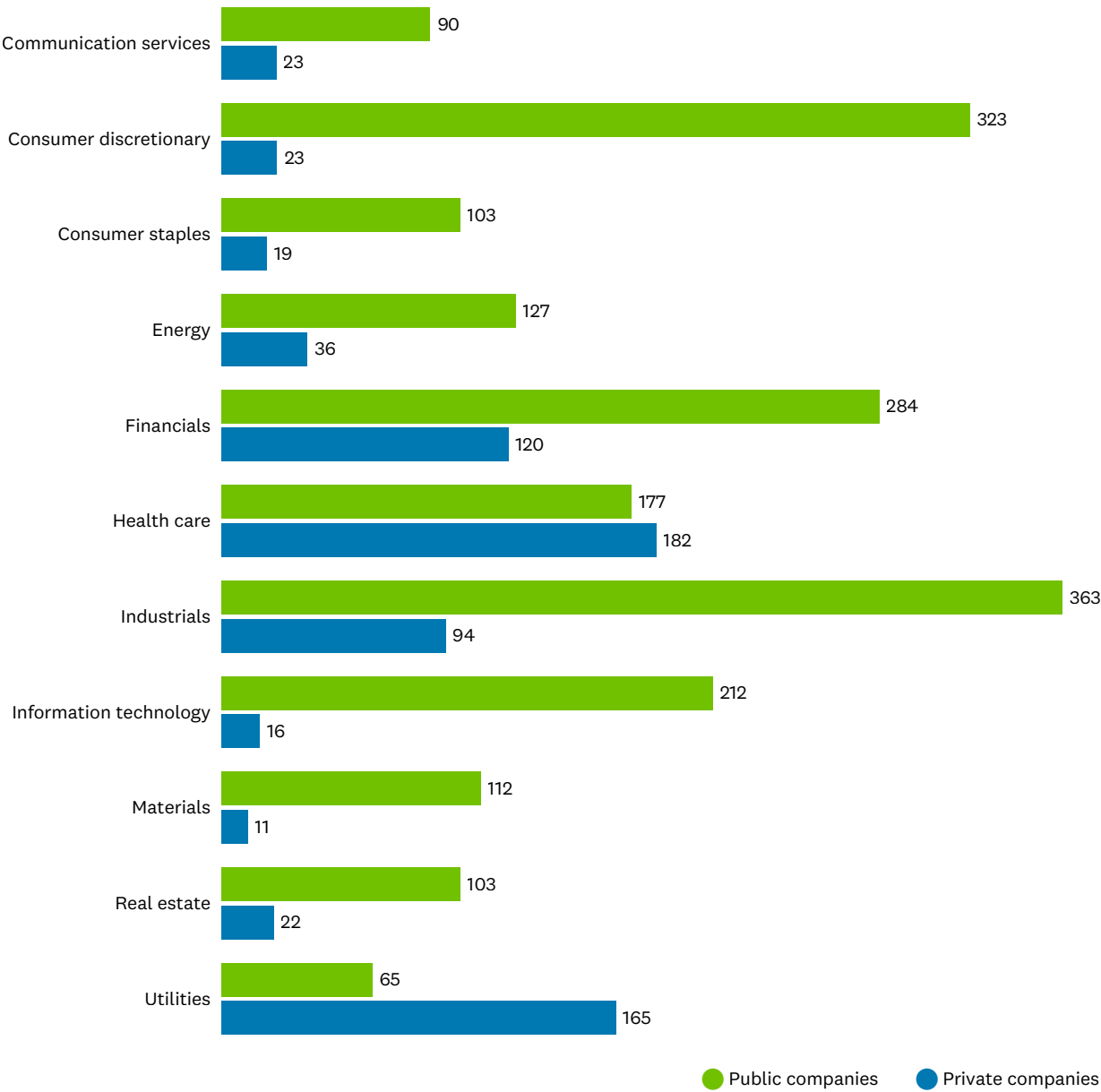
The counts for revenue bands between \$1 billion and >\$4 billion are identical to Figure 2 on page 4; the addition of the lowest revenue band, \$0.5–\$1.0B, reflects the number of public and private companies covered by SB 261 but *not* by SB 253.

Figure 5 • Distribution by Revenue (in USD)



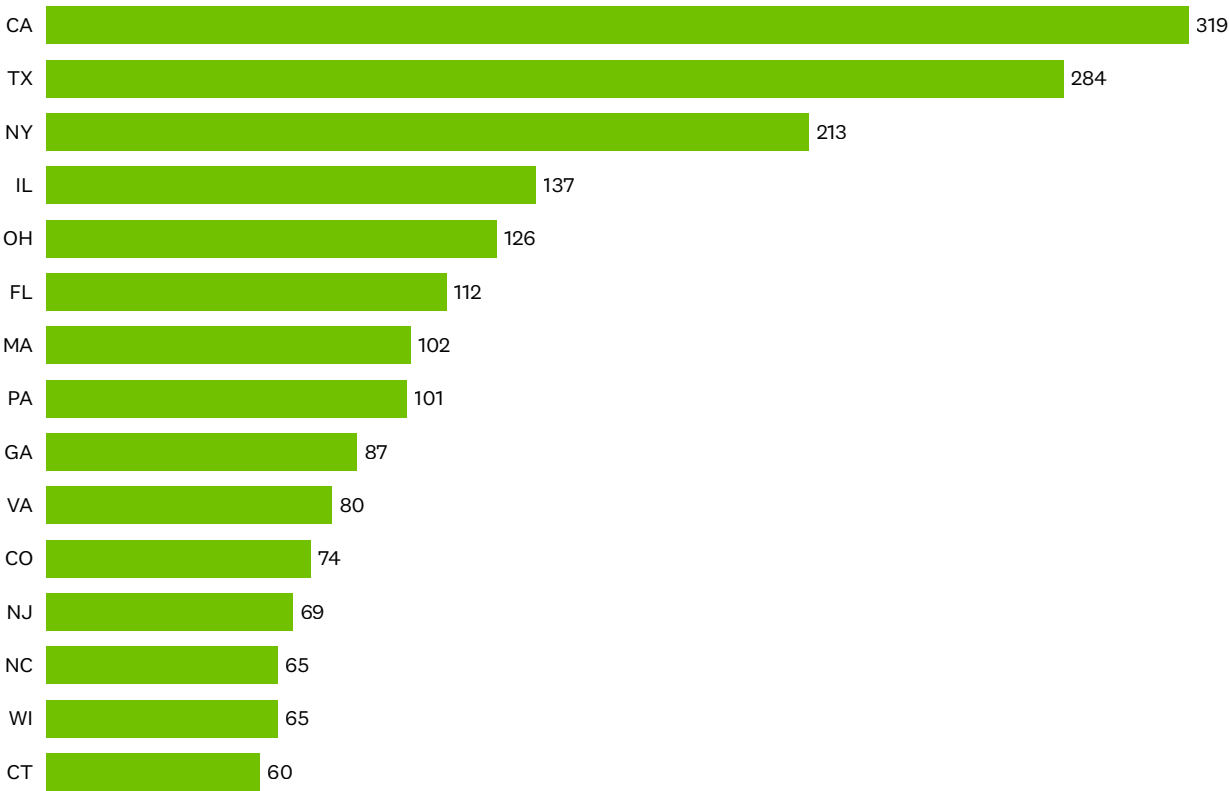
Like SB 253, industry representation under SB 261 among public companies is again dominated by the industrial, consumer discretionary, and financial sectors. Among private companies covered by SB 261, the most notable distinction is the outsize share of health care companies represented: 25% of private companies covered by SB 261, compared to 17% of private companies covered by SB 253.

Figure 6 • Industry Representation, Public vs. Private Companies



California-headquartered firms again rank highest among companies likely to be covered by SB 261 and represent a slightly higher proportion of total companies (12% vs. 11% under SB 253). The results for SB 261 are otherwise largely identical as those for SB 253: the top 15 states represent 71% of all companies expected to be covered, and the top five states are the same as those covered by SB 253 (California, Texas, New York, Illinois, and Ohio).

Figure 7 • States in Which Companies Are Headquartered (SB 261)



Methodology

This report looks at FY 2022 revenue figures pulled from the S&P Capital IQ Pro Screening Tool. The list of companies is refined to look only at public and private companies, defined as follows:

- **Public company:** A legal entity whose common stock is actively trading on any public stock exchange.
- **Private company:** A legal entity, which is not an investment firm, whose equity does not trade on any public stock exchange. This includes companies listed on a stock exchange where Capital IQ does not receive pricing for the company.

To clean the data, S&P Global removed all companies that were tagged as “Out of Business,” “Acquired,” “Reorganizing,” “No Longer Investing,” or “Liquidating.” This leaves only companies that are considered “Operating” and “Operating Subsidiaries.” Those terms are defined as follows:

- **Operating:** Indicates the company is not controlled, such as companies where no majority stake is held, by any single company. Includes companies where M&A deals are pending. It is non-strategically controlled with a majority stake held by a financial buyer, such as a portfolio company of a PIF.
- **Operating Subsidiary:** Control with a majority stake of 50% or more lies with any other company AND the stake is held for strategic reasons as opposed to being held for investment purposes.
- **Out of Business:** Any company that has completely liquidated or ceased operations without any acquisition transaction.
- **Acquired:** An entity that has sold all of its assets to a single buyer. After the sale’s completion, the acquired entity is completely folded into its purchaser. Does *not* apply to any company that has sold substantially all of its assets.
- **Reorganizing:** Entities that are reorganizing or going into administration under a formal plan. The plan might be Chapter 11 or a non-U.S. filing type. It is a process designed to revive a financially troubled or bankrupt firm.
- **No Longer Investing:** Firms that are not purchasing additional portfolio companies but are still managing current investments. This status could reflect that either the firm is taking a pause on funding new investments, or the firm is making follow-on investments and not making new investments, or that this status is a precursor to the firm going out of business.
- **Liquidating:** Any companies that have obtained United States Bankruptcy Court approval for their Plan of Liquidation under a Chapter 11 bankruptcy petition or their assets have been transferred to a liquidating trust under a Chapter 7 bankruptcy petition.

Sources used to collect financial data include:

- Regulatory agency filings
- Annual and interim reports
- News and press releases

For North American private companies, S&P² sources revenue data from third-party providers, including Equifax, D&B, and Crunchbase, or captures it from the sources used to collect fundamental financial data mentioned above. S&P's third-party providers can source this data in several ways, such as from local government and commercial sources, including national business registries, chambers of commerce, news services, press releases, direct marketing campaigns, phone interviews, certified public accountants, and federal and regional courts.

It is still unclear whether (and which) nonprofit entities might be subject to the two disclosure laws; the definition of impacted entities will depend on CARB's interpretation of "doing business in California." Most nonprofit entities are tax-exempt, and the most widely referenced definition of "doing business" comes from the California Franchise Tax Board. CARB will have to determine the eligibility of nonprofit entities through its regulatory implementation process, with appropriate consideration of input from interested stakeholders.

Ceres independently surveyed various databases to see how the results compared to S&P Global's findings. We looked at Bloomberg, PitchBook, D&B Hoovers, and Data Axle. These data sources deliver different conclusions about the number of companies over the specified revenue thresholds. Estimates of covered public companies are generally closely aligned across the data sets, and the proximity of S&P Global's public company figures to Bloomberg's results are especially encouraging, since Bloomberg is generally viewed as a highly reputable source for public company financial data. However, there is significant variance in the estimates of covered private companies, which reflects the difficulty of accurately sourcing private company financial data. The discrepancies across these various data sources range from hundreds of companies to thousands. The largest figures are likely inflated by intra-company double counting, as discussed earlier in this report under the "Background" section. A search that filters for ultimate parent companies, rather than all companies above a revenue threshold, yields closer estimates.

The U.S. Securities and Exchange Commission also provided an estimate of the number of registrants covered by the California disclosure laws in the agency's [adopting release](#) for its own climate risk disclosure rule (March 6, 2024): "We estimate that approximately 1,980 Commission registrants meet the \$1 billion revenue threshold for Climate Corporate Data Accountability Act and approximately 2,520 Commission registrants meet the \$500 million revenue threshold for the Climate-Related Financial Risk Act." These figures differ considerably from the S&P Global and Bloomberg estimates of public companies covered by the California laws. The discrepancy may be explained by the fact that some SEC registrants are not public companies. Although "SEC registrant" and "public company" are sometimes used interchangeably, there are private companies [subject to SEC jurisdiction](#). These may, for instance, be companies that are not listed on an exchange and do not have registered securities, but under section 15(d) of the Securities Exchange Act of 1934 are required to file reports because they have more than 300 shareholders. We do not have access to the data that informed the SEC's estimates and can only speculate that this is one possible reason for the difference.

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This report was authored by Ceres based on data analysis by S&P Global. The authors would also like to thank Charles Gibbons and Heather Green, our valued colleagues at Ceres, who contributed their expertise to this report.

For questions or comments, please contact:

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