



WHITE PAPER

California Climate Disclosure Laws:

What You Need to Know



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Introduction

California's climate disclosure laws require businesses operating in the state to report on their greenhouse gas emissions, climate-related financial risks, and other items. In this booklet, we'll discuss SB 253, SB 261, and SB 219 to help you understand the laws and what they mean for your business.

If you get to the end of the booklet and you still have questions, don't worry. We've got a free assessment tool to help you answer the question - "Am I In Scope?" for the California climate disclosure laws.

[Access Tool Now](#)



The Bills at a Glance

Bill	What It Covers	Who Must Report	Frequency and Deadline	Assurance Requirement
SB 253 ("Climate Corporate Data Accountability Act")	Requires annual reporting of greenhouse gases— Scopes 1, 2, and 3 (supply-chain emissions included).	Companies generating over \$1 billion in annual revenue	Reports due August 10, 2026 for Scopes 1–2, 2027 for Scope 3	Limited Assurance for Scopes 1 & 2 in 2027 and Scope 3 in 2030. Reasonable Assurance for Scopes 1 & 2 in 2030
SB 261 ("Greenhouse Gases: Climate-Related Financial Risk")	Requires biennial assessment/disclosure of climate-related financial risks.	Companies with over \$500 million in annual revenue.	First risk reports due by January 1, 2026 , then every two years	NA
<i>The Ninth Circuit Court of Appeals issued an injunction in November 2025 that temporarily halted SB 261, pending appeal in January 2026.</i>				
SB 219 (Streamlining Legislation)	Adjusts timeline/rules: CARB must issue implementation guidance: reporting deadlines unchanged. Enables consolidated parent-level reporting and eliminates filing fees.			NA

***Public and private entities are both in scope, as long as they are considered to be “doing business in California”*

CARB has proposed an updated timeline for bringing the initial rulemaking (including fee-related provisions) to the board in Q1 2026. Their guidance to in scope companies is to proceed with preparing for compliance in good faith for both SBs 253 and 261. CARB’s proposed draft regulation can be viewed [here](#).

Updates and Definitions of “In Scope” Entities

- ◆ **Overarching Reporting Scope:** All U.S.-based companies that meet the reporting requirements below and are also considered to be “doing business in California” are in scope.
- ◆ **Definition of Revenue:** CARB staff have recommended using the Franchise Tax Board corporate tax filings as the primary authoritative data source for defining revenue and identifying companies that are “Doing Business in California”
 - Per Section 23101 of the CA Revenue and Tax Code, this threshold was \$735,019 in California revenue as of 2024.
 - However, any company subject to the regulation will be responsible for compliance, regardless of whether they are initially included on staff’s list or outreach.
 - [CARB posted a preliminary list of possible in scope companies in September 2025](#), but companies should consider the updated proposed definitions covering organizational structure and FTB tax filings.
- ◆ **Considerations for Subsidiaries:** CARB is proposing drawing from the California Cap & Trade regulation’s recognition of direct corporate association, including a parent company owning more than 50% of its subsidiary’s voting stock, or sharing over 50% of common owners, directors, or officers of the other entity. Whether an entity is subject to reporting should be assessed on an individual company basis.
- ◆ **Exemptions & Exclusions:** CARB is proposing exemptions for nonprofit or charitable organizations, companies who only have teleworking employees based in California, and electricity grid operators.



Timeline, Reporting Requirements, and Implementation Fees

Although some uncertainty remains around the final rulemaking from the California Air Resources Board (CARB), below are the updated reporting timetables as of November 18, 2025:

SB 253

Scope 1 and 2 disclosures will be required by August 10, 2026 and Scope 3 will be required in 2027, covering the prior fiscal year.

- ◆ Companies can use existing data for their initial reports ('start with what you have')
- ◆ Build best reporting practices and prepare for full compliance down the road
- ◆ No penalties in 2026 for incomplete reports if companies show good-faith effort to comply
- ◆ [CARB published a draft reporting template for Scope 1 & 2 in October 2025.](#)

SB 261

Climate-related financial risk reports are required bi-ennially, and must be posted to the company's website by January 1, 2026.

- ◆ CARB published a Draft Checklist for Climate Related Financial Risk Disclosures in September 2025.

Draft Checklist

- ◆ Allows for the use of existing voluntary reporting frameworks like TCFD and the IFRS Disclosure Standards (ISSB / IFRS S2)
- ◆ A temporary pause has been enacted on implementation until arguments will be heard by the U.S. Court of Appeals for the Ninth Circuit on January 9, 2026. However, if requests for a longer pause are denied, SB 261 reports will be immediately due.

Implementation Timeline for Preparers:

- ◆ **2025**
Begin collecting data, conducting emissions measurement, and ensuring auditability of data. Prioritize Scope 1 and 2 since that is what is required first
- ◆ **2026**
Companies begin **annual GHG reporting for Scopes 1 and 2**
- ◆ **2027**
Scope 3 reporting kicks in

***CARB has underscored that companies making "good faith efforts" to comply with their regulations will be not be penalized for their initial reporting*

CARB has provided draft guidance for implementation fees for companies to comply with the regulations, as staff is still pursuing a "flat" fee structure to cover SB 253 and SB 261 implementation costs.

	Estimated # of "In Scope" entities	Proposed Implementation Fees
SB 253	~2,600 entities	~\$3,100 per entity
SB 261	~4,200 entities	~\$1,400 per entity

Assurance and Compliance

- ◆ CARB will set standardized **reporting rules and formats** in 2026. At present, CARB's recommended assurance criteria is built on financial auditing principles and must be:
 - Systematic – organized, rigorous, thorough
 - Independent – based on fact, is unbiased and objective
 - Documented - process, records, findings
- ◆ CARB staff have proposed the following Concepts for Assurance:
 - ISSA 5000 (IAASB)
 - AA1000
 - ISO 14060 family
 - AICPA
- ◆ Companies may **consolidate at parent level** for simplicity
- ◆ Assurance **IS** required for SB 253 as follows:
 - Scope 1 and 2 Assurance
 - Limited assurance is required starting in 2027 for Scope 1 and 2; reasonable assurance will be required beginning in 2030
 - CARB recommends that preparers obtain limited assurance in 2026
 - Scope 3 Assurance
 - CARB is still evaluating whether Scope 3 assurance will be required; if so, limited assurance will kick in for 2030
- ◆ Assurance is **NOT** required for SB 261



Why California's Climate Disclosure Laws Matter

Regulatory compliance

Non-reporting may trigger scrutiny or reputational damage, with fines up to \$500,000 per entity per reporting year.

Supply chain preparedness

Even smaller firms should expect to be asked for emissions data by large customers subject to these regulations.

Investor/stakeholder confidence

Transparent GHG and climate-risk disclosures can attract capital and help organizations manage financial risk.

Early action saves time

Collecting data early eases the transition and avoids last-minute scrambles when CARB's final guidance arrives.



Preparing for Climate Disclosure Reporting: Best Practices for Companies to Enact Now



Assess

Does your company's revenue meet either threshold?
Do you qualify as "doing business in California"?

[Access Our Free Tool](#)



Set up

Emissions data collection for Scopes 1 and 2 by the end of 2025; begin evaluating Scope 3.
Ensure you are making "good faith efforts" to comply with the law.



Engage assurance

Plan internal or external review of data.



Coordinate

Communicate with suppliers about Scope 3 data needs.



Monitor guidance

Final CARB rules are expected in 2026; adjust systems accordingly.

Deeper Dives

WHAT IS A GREENHOUSE GAS EMISSIONS INVENTORY?

GHG emissions are classified in three scopes to help organizations understand, measure, and report those emissions:

Scope 1

Or direct, emissions are produced from sources an organization owns or controls, for example:

- ◆ Emissions from an organization's manufacturing or business processes
- ◆ Fuel combustion in company-owned or controlled boilers or furnaces
- ◆ Emissions from company-owned or leased vehicles
- ◆ Fugitive emissions from refrigeration

Scope 2

Emissions resulting from the generation of purchased energy such as electricity, steam, heat, and cooling. Although these emissions occur where the energy is generated, the consuming organization is responsible for reporting them. As such, they are also considered direct emissions.

Scope 3

Also known as value chain emissions, are the indirect emissions that occur in an organization's upstream and downstream activities. These often include:

- ◆ Purchased goods and services and capital expenditures
- ◆ Upstream and downstream transportation and distribution
- ◆ Business travel and employee commuting
- ◆ Processing, use, and end-of-life treatment of sold products
- ◆ Operational waste

Understanding these business activities provides valuable insights into organizational emissions and the associated opportunities to reduce emissions and operational costs across a company's entire value chain.

WHAT IS A CLIMATE RELATED FINANCIAL RISK REPORT?

A climate-related financial risk report identifies and discloses how climate change may affect a company's financial health. It is designed to help investors and regulators understand a company's exposure climate risks and demonstrate how the company is planning for climate resilience and regulatory changes.

Key Elements:

Physical Risks: Risks from climate events that could damage assets or disrupt operations.

Transition Risks: Financial risks from the shift to a low-carbon economy (e.g., policy changes, carbon pricing, shifts in consumer demand, or reputational damage).

Risk Management Strategy: How the company identifies, assesses, and manages climate-related risks.

Impact Analysis: Potential effects on overall business performance.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORTING – WHAT TO INCLUDE

Metrics Used to Assess Climate-Related Risks and Opportunities

- Key indicators tied to governance, strategy, and risk management processes
- Examples:
 - Internal carbon price
 - Energy usage or water consumption
 - Share of low-carbon revenue
 - Ratio of GHG emissions per unit of output

Greenhouse Gas Emissions (GHG)

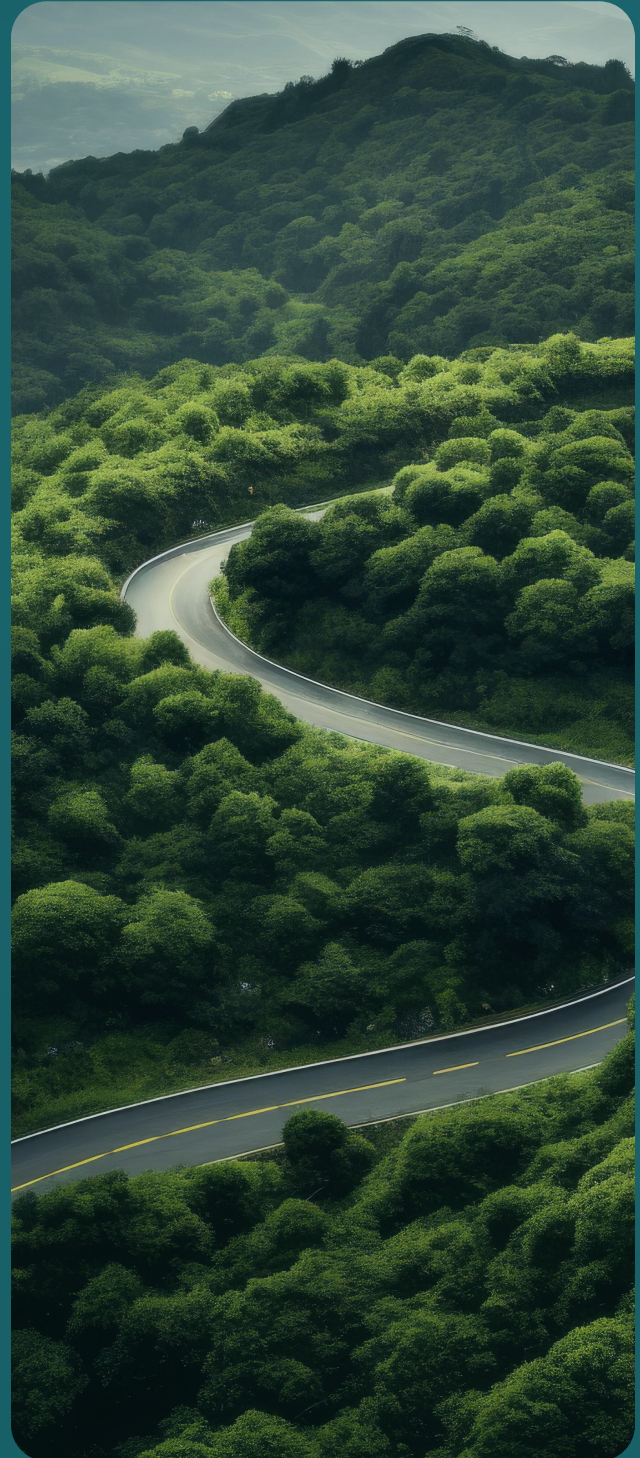
- Scope 1, 2 (and optionally 3) emissions must be disclosed
- Report total emissions in CO₂e; disaggregate by scope
- Use GHG Protocol, which is the gold standard for corporate greenhouse gas accounting

Targets and Performance

- Clearly state emissions and climate-related targets—e.g., net-zero, renewable energy adoption

Include

- Target type (absolute vs. intensity)
- Base year and time frame (short-, medium-, or long-term)
- Interims and progress indicators



Carbon Management Platforms We Recommend

Choosing a SaaS-based carbon management platform can feel like an exercise in futility at times.

With so many different platforms on the market that advertise different features and functionality, it can be difficult to select the right partner to measure and disclose your company's GHG emissions. For those new to this space, a few key things to look for are whether the platform is aligned with the GHG Protocol, has general ledger upload capabilities, integrates with utility bill APIs, and features easily trackable documentation trails for third parties.

Fortunately, the climate experts on Sensiba's sustainability team have been monitoring the development and growth of the cloud-based carbon management space for the past few years and have evaluated over 35 different platforms in the past three years alone. We've done the legwork and recommend the following three mission-driven, B Corp-certified, carbon accounting platforms for middle-market companies:



As a certified B Corp, Greenplaces helps businesses turn climate action into a competitive advantage. It's an all-in-one carbon management platform that streamlines carbon accounting, and automates compliance with evolving regulations. Backed by human expertise, they make ESG reporting simple, accurate, and audit-ready—empowering organizations to meet customer expectations, strengthen supplier relationships, and accelerate their climate goals.



North Star is a B Corp-certified carbon and impact management platform with which Sensiba has a formal Implementation Partnership (meaning our team can leverage their platform to calculate client emissions). This platform is comprehensive, user-friendly, and also aligns with other ESG reporting frameworks to enable seamless sustainability reporting.



A French-based B Corp that is expanding its footprint into the U.S. middle market. Greenly is a carbon management platform with which Sensiba has a formal Implementation Partnership. Greenly is designed to be a one-stop shop for climate measurement, action, and compliance.

The Business Case: How Does Climate Impact Relate to Financial Impact?

As it becomes more imperative for companies to measure and manage their greenhouse gas (GHG) emissions, an effective starting point is reviewing the business and economic activities that produce those emissions.

Because any GHG emissions will result from an activity that requires an economic cost, financial accounting provides a powerful starting place to identify corporate emissions sources that can be augmented with activity-based carbon accounting for even deeper insights.

By examining the intersection of carbon-emitting activities and their resulting financial impact, you'll be better able to prioritize your emissions-reduction efforts by targeting high-priority activities that can also help reduce operating costs, enhance efficiency, or mitigate other environmental risk factors.





Get Started With Our Free Assessment Tool

Are you in scope? Are you required to comply with regulations? We've put together a free assessment tool to see if your business needs to adhere to the California climate rules. This assessment tool will take you through a few short questions to understand your current situation and what you need to do to comply with the regulations.

Access our free California Climate Accountability Scoping Assessment tool:

[Access Now](#)

Book a meeting to chat with us:

[Contact Us](#)

References

[PPT Slides from CARB Workshop, March 23, 2026](#)

[PPT Slides from CARB Workshop, November 21, 2025](#)

[PPT Slides from CARB Workshop, August 21, 2025](#)

[PPT Slides from CARB Workshop, May 29, 2025](#)

[CARB FAQ Document \(posted July 9, 2025\)](#)

[California Enacts Corporate Climate Disclosure Bills - Sensiba](#)

[SB 219: California Streamlines Climate Disclosure Regulations](#)

[How Carbon Impact Relates to Financial Impact - Sensiba](#)

[IFRS Guidance Document for disclosing information about a company's climate transition \(SB-261\)](#)

[CARB's proposed draft regulation](#)

[CARB's Staff Report](#)

