

# California Climate Disclosure Laws: CARB Releases Implementation FAQs

Posted in: California Climate Disclosure Laws

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On July 9, 2025, the California Air Resources Board (CARB), the state's lead agency for climate change programs, posted a seven-page [document](#) with responses to 11 frequently asked questions received from stakeholders related to the development and implementation of the state's landmark corporate GHG emissions and climate-related financial risk disclosure laws, authorized by Senate Bill (SB) 253 and SB 261, respectively, as amended by SB 219. The document also provides additional guidance to in-scope entities regarding the submission of initial reports mandated under the laws. CARB emphasizes it is in the early stages of regulatory development and will work through a transparent public process to develop and refine implementing regulations and guidance. It continues to actively solicit stakeholder input to inform the design of the program.

According to CARB, the FAQ document "is intended to assist companies with initial planning, including for submitting climate-related financial risk reports by January 1, 2026. Future regulations may establish additional or alternative requirements consistent with [the legislation]." A disclaimer advises that the guidance outlined in the document "does not have the force of law," "is not intended to and cannot establish new mandatory requirements beyond those that are already in the statutes" and "does not supplant, replace or amend any of these legal requirements."

**The guidance document is not especially enlightening as it largely reiterates what (little) we already know, including that the laws' original reporting requirements and deadlines remain unchanged. Delays in the current reporting deadlines should not be expected.** Key points are highlighted below. Of particular

note, the new guidance helpfully provides some relief to covered entities for their initial climate-related financial risk reports required under SB 261. First, initial reports submitted by January 1, 2026 are permitted to cover fiscal years 2023/2024 or 2024/2025. Second, an enforcement safe harbor for good faith compliance efforts (previously available only to initial emissions reports under SB 253) will also apply to initial climate risk reports under SB 261.

For a detailed account of the current state of play, please see our previous [readout](#) of CARB's virtual public kickoff workshop held on May 29, which provided an overview of the legislation and rulemaking process, a provisional timeline for development of implementing regulations and guidance, a summary of early stakeholder feedback and CARB's initial staff concepts around key statutory definitions (a video recording of the half-day event can also be viewed [here](#)). CARB continues to invite public engagement and feedback on implementation details, which can be submitted to [climatedisclosure@arb.ca.gov](mailto:climatedisclosure@arb.ca.gov).

**Litigation Status.** *Both laws are subject to legal challenge in the U.S. District Court for the Central District of California. While the state has prevailed on several constitutional claims, the First Amendment challenge to the legislation remains ongoing. On July 1, the court heard oral arguments on plaintiffs' motion for a preliminary injunction that would enjoin the state from implementing, applying or taking any action to enforce the laws. A final order will be forthcoming.*

## Part One — Regulatory Development FAQs

- **Rulemaking Process.** CARB is in “the informal, information-gathering stage” for implementing the climate disclosure laws. “Next steps in the regulatory development process will include additional opportunities for public input over the summer. CARB is committed to developing a regulation by the end of the year.” While not entirely clear, it appears that the implementing regulations projected for delivery by year-end are likely to be *draft* (rather than definitive) regulations that will be subject to a formal public comment period before being finalized and adopted by CARB.
- **Goals.** The climate disclosure laws aim “to ensure that accurate, comparable and decision-useful climate information is made available to investors, consumers and other interested parties.”
- **Scoping Criteria.** Given that SB 253 (the GHG emissions disclosure law) applies to both public and private U.S. companies with over \$1 billion in total annual revenue doing business in California, and SB 261 (the climate risk

disclosure law) applies to both public and private U.S. companies with over \$500 million in total annual revenue doing business in California, **some companies may be subject to both laws, while others may meet the revenue threshold for only one.** During the May kickoff workshop, CARB staff proposed potential definitions for “revenue,” “doing business in California,” and “parent” and “subsidiary” companies, and is currently seeking stakeholder feedback on such proposals. The definitions will be finalized as part of the implementing regulations under development.

- **Defining “Revenue.”** CARB states that companies determined to be doing business in California that exceed the statutory revenue thresholds but the majority of their business is outside of California may potentially be subject to the laws’ reporting requirements, “but it will depend on the company’s circumstances and how the applicability provisions are ultimately drafted.” **CARB’s initial staff concept is that a company’s “total annual revenue” would be defined as “gross receipts” as set forth in California Revenue and Taxation Code Section 25120(f)(2).** CARB staff is currently seeking public feedback on this proposed definition, which will be finalized as part of the implementing regulations under development. CARB is also seeking input on whether it should consider exemptions for certain circumstances and the rationale for any such exemptions.
- **Defining “Doing Business in California.”** CARB’s initial staff concept is based on the Franchise Tax Board interpretation of “doing business in California” found in California Revenue and Taxation Code Section 23101, with proposed minor modifications as described [here](#). CARB staff is currently soliciting public feedback on this proposed definition, which will be finalized as part of the implementing regulations under development. CARB is also soliciting input on whether it should consider exemptions for various business sectors and the rationale for any such exemptions.

## **Part Two — Initial Reports FAQs**

### ***GHG Emissions Annual Reporting (SB 253)***

- **Reporting Timelines.** CARB emphasizes that the **exact reporting deadlines (i.e., specific calendar dates within confirmed reporting years) for emissions disclosure and independent third-party assurance will be determined through additional public consultation and through the rulemaking process.**

In-scope entities “must report Scope 1 [direct] and Scope 2 [indirect from purchased energy] GHG emissions in 2026, on a date to be set by CARB through the regulatory process, covering the prior fiscal year [2025]. Scope 3 [value chain] emissions reporting begins in 2027, covering the prior fiscal year [2026].”

- **Good Faith Enforcement Relief.** To support initial implementation and reduce uncertainty, CARB issued an **Enforcement Notice** in December 2024, wherein it recognized that reporting entities may need some lead time to implement new data collection processes to allow for fully complete Scope 1 and Scope 2 emissions reporting (to the extent they do not currently possess or collect the relevant information). Accordingly, “**CARB will exercise its enforcement discretion such that, for the first report due in 2026, on a date to be set by CARB through the regulatory process, reporting entities may submit Scope 1 and Scope 2 emissions from the reporting entity’s prior fiscal year that can be determined from information the reporting entity already possesses or is already collecting at the time the Notice was issued [December 2024].**”
- **Third-Party Assurance.** Reporting entities “will be required to obtain an assurance (or verification) engagement performed by an independent third-party assurance provider for their Scope 1 and 2 emissions at a limited-assurance level [a review] beginning in 2026, and at a reasonable-assurance level [an audit] beginning in 2030.” [Prior to 2027, CARB may establish an assurance requirement for Scope 3 emissions, which would not kick in until 2030 and then only at a limited-assurance level.]
- **Alignment with Existing Protocols and Standards.** For those companies that already report their GHG emissions and/or climate risk disclosures in accordance with programs in other jurisdictions, CARB notes that it aims to “reduce confusion for reporting entities and simplify compliance with the law, including aligning and streamlining reporting requirements where possible.... As part of this effort, we welcome feedback on how to streamline reporting in ways that are both practical and consistent with our statutory direction.”

### ***Climate-Related Financial Risk Biennial Reporting (SB 261)***

- **Reporting Timelines.** In-scope entities “must prepare and publish their first climate-related financial risk report by January 1, 2026, and biennially thereafter.”

- **Reporting Location.** “On December 1, 2025, CARB will post a public docket for covered entities to post the location of their public link to their first climate-related financial risk report. CARB will keep this public docket open until July 1, 2026. This public docket will help support transparency by providing one location for the public to be able to review all climate risk reports.”
- **Reporting Frameworks and Content.** Regarding how companies should determine what information needs to be included in the climate-related financial risk report, CARB observes that **the statute specifies some flexibility in choosing a reporting framework (e.g., TCFD, ISSB/IFRS S2 *Climate-related Disclosures*),** and covered entities should then apply the principles embedded in that chosen framework (i.e., the specific disclosures companies are expected to provide depend on the reporting framework they select).
  - “For example, TCFD 2017 states ‘organizations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their financial filings.’ Further, the TCFD emphasizes that disclosures should be specific, complete and provide sufficient information to enable users to understand the impact of climate-related issues on an organization’s business.”

CARB notes that it has heard from stakeholders that climate risk-related data is often collected on a fiscal year basis and that it takes time to process climate information into a report. “As a result, **it is reasonable to expect that initial climate-related financial risk reports submitted by January 1, 2026, may cover fiscal years (FY) 2023/2024 or FY 2024/2025 depending on the organization.**”

- **Good Faith Enforcement Relief.** As outlined in the statute, potential penalties against entities for reporting violations are tied to several factors, including “whether the violator took good faith measures to comply and when those measures were taken.” This “good faith” consideration is part of CARB’s enforcement discretion in considering penalties for reporting violations. Because CARB’s December 2024 Enforcement Notice is limited to GHG emissions reporting under SB 253, it had been unclear whether a similar enforcement safe harbor would be available for good faith reporting under SB 261 with respect to the first climate-related financial risk report due in 2026. The new guidance so confirms, stating:
  - **“To provide a phase-in period for reporting, climate-related financial risk disclosures made pursuant to the upcoming statutory deadline**



(January 1, 2026) may be based on the best available information, including information from fiscal years 2023/2024 or 2024/2025 (see above). CARB also recognizes that data quality and data sources may change over the course of the year, if additional data collection methods were put in place later.”

## Resources

- [California Climate Disclosure Laws Landing Page](#)
- [Information Solicitation](#) (December 2024) and [Public Comment Docket](#)
- [CARB Rulemaking Process Timeline Graphic](#)
- [Subscribe to Email Updates](#)

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