

# California Climate Disclosure Laws: Key Takeaways from Kickoff Workshop

Posted in: California Climate Disclosure Laws

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**Update:** A video recording of the workshop has been posted [here](#)

***CARB affirms statutory reporting deadlines, pledges implementing regulations by year-end and seeks additional input on scoping and reporting requirements***

On May 29, 2025, the California Air Resources Board (CARB), the state's lead agency for climate change programs, held a nearly four-hour virtual public workshop on implementation of the state's climate disclosure laws, SB-253 (GHG emissions disclosure) and SB-261 (climate risk disclosure), as amended by SB-219 (see our [client alert](#), which includes a tabular summary of the laws' key provisions). During the workshop, which was moderated by CARB Assistant Division Chief Dr. Sydney Vergis, CARB staff presented an overview of the legislation, reviewed feedback received from stakeholders in response to the December 2024 information solicitation and, at the end, took comments and questions from webinar participants (the program ran 45 minutes over the allotted time due to the high volume of stakeholder questions and input). CARB's presentation slides are [here](#).

There were two additional presentations during the workshop: (i) a comparative analysis of GHG emissions accounting and reporting mechanisms that currently exist across various regulatory and voluntary programs by Montrose Environmental (see slides [here](#)); and (ii) a report on the state of corporate sustainability disclosure among S&P 500 companies in 2025 by UCLA (see slides [here](#); the full report, which analyzes corporate climate-related disclosure practices in the areas of GHG emissions; net-zero and carbon-neutrality targets; climate risks; transition planning;

and governance and oversight, is available online [here](#); the executive summary on [page 3](#) highlights key findings).

A recording of the webinar has not yet been posted but should soon be available [here](#). Key takeaways follow.

**Note re ongoing litigation:** *Though not discussed during the workshop, federal litigation against both SB-253 and SB-261 is still proceeding in the U.S. District Court for the Central District of California, but the laws have not been stayed by the court so at least for now they remain in effect pending the outcome of the litigation. The court ruled in favor of the state on the challengers' Supremacy Clause and extraterritoriality claims in February, leaving only the First Amendment claim (whether the laws' disclosure requirements impermissibly compel speech in violation of the First Amendment), which the court allowed to proceed to discovery. A hearing on a preliminary injunction has been delayed until July 1.*

**Note re potentially applicable Executive Order:** *Also not mentioned during the workshop, on April 8, President Trump signed an Executive Order, "[Protecting American Energy from State Overreach](#)," that targets state and local climate laws. While the EO does not explicitly refer to the California climate disclosure laws, it does specifically identify other, similar state-level climate-related laws (such as in New York, Vermont and California) that it asserts may be unconstitutional, preempted by federal law or otherwise unenforceable. The EO directs the Attorney General to identify within 60 days state and local laws relating to climate change, GHG emissions, ESG initiatives and similar issues, and then take action to stop the enforcement of them (see the related [fact sheet](#)). Given the broad language of the EO, the California climate disclosure laws could fall within its ambit. California Governor Gavin Newsom [slammed](#) the EO as "a glorified press release" and has expressed his intention to fight any DOJ litigation challenging the laws. To date, DOJ has not filed any legal challenges against the laws in connection with the EO.*

## **Statutory Reporting Deadlines Remain Firm**

California State Senator Scott Wiener, who co-authored the legislation, stated emphatically in his opening remarks that **the original reporting timetables, which he noted have been receiving a lot of press attention, "are holding firm."** CARB staff reiterated this message frequently throughout the workshop, suggesting they could not deviate from these deadlines as they are codified in the statute.

For in-scope companies, those timetables are as follows:

- Scope 1 (direct) and Scope 2 (indirect from purchased energy) emissions metrics **beginning in 2026** (covering 2025 data) — *exact reporting date in 2026 TBD by CARB*
- Scope 3 (value chain) emissions metrics **beginning in 2027** (covering 2026 data) — *exact reporting date in 2027 TBD by CARB*
- Limited assurance (a review) over Scope 1 and Scope 2 emissions metrics beginning with the first year of reporting (i.e., in 2026 covering 2025 data), followed by reasonable assurance (an audit) beginning in 2030 (covering 2029 data)
- Climate-related financial risks and risk mitigation measures **beginning on January 1, 2026**

### Expect Implementing Regulations by Year-End

CARB is now promising delivery of implementing regulations “by the end of the year” (*“We’re looking to develop a regulation by the end of the year”*). The statutory deadline for CARB to adopt regulations is July 1, 2025. CARB never referenced the July 1 deadline during the workshop and, despite being pressed repeatedly for clarification on this point during the public feedback session, **declined to acknowledge the July 1 deadline is slipping (as seems to be the case) or to say whether any guidance will be issued on or before July 1**. During the two-hour-plus Q&A session, multiple attendees called out what they perceived to be CARB’s conflicting messaging on guidance timing.

**Numerous attendees inquired as to a specific date before year-end by which a set of regulations can be expected to be issued, underscoring that reporting entities need certainty, predictability, clear notice and sufficient time to prepare for compliance, but CARB declined to provide further detail on timing.** Also unclear is whether the regulations CARB is now pledging to deliver by year-end will be proposed regulations or final regulations (the question *“When will there be initial proposed regulatory text and when will it be finalized?”* went unanswered). At one point, a CARB official referred to a set of “draft” regulations being available for review prior to year-end.

(As explained in CARB’s presentation, under California law, once an initial rulemaking proposal is published and draft regulatory text is released, CARB has one year to complete the final rule. The process contemplates a 45-day comment period (potential additional amendments would be followed by a 15-day comment period) before formal adoption of the rule by CARB at a board hearing.)

**CARB declined to answer whether, in the event the regulations are released toward the end of the year, the board will extend the statutory reporting deadlines.** One attendee suggested that the deadline for Scopes 1 and 2 reporting should not be until December 31, at least for the first year of required reporting (in 2026), if the regulations are not released until the end of the year, given the substantial time, effort and costs associated with preparing the emissions disclosures.

A CARB official did say several times during the workshop that the board intends to continue to release information and staff perspectives/thinking on various elements of the reporting requirements and implementation issues throughout the year, as well as to conduct more public workshops, open discussions and other methods of stakeholder outreach and engagement in the coming months. **CARB did not respond to a question about when we might expect the next update.**

**Several participants questioned whether CARB might—perhaps separately, at an earlier date (i.e., prior to year-end)—provide guidance on the definitions of “revenue” and “doing business in California” and other critical scoping criteria** that are ambiguous in the statutory text, given how foundational these interpretive questions are for purposes of determining the laws’ applicability. **CARB did not commit to providing clarification on these threshold questions on an accelerated basis, before/outside of publishing implementing regulations by the end of the year.** A number of attendees requested that, if the definitions of “revenue” and “doing business in California” are not finalized until the end of the year, the statutory reporting deadlines be delayed.

### **Review of Information Solicitation; Additional Public Feedback Sought**

**CARB said they are “early in the process” of developing implementing regulations**, which they characterized variously as being in the “informal pre-rulemaking phase” and the “listening and learning stage.” CARB is still reviewing the **public comment file** from last year’s request for input. The comment period for CARB’s **information solicitation** ran from December 16, 2024 through March 21, 2025, and **they received a total of 261 responses**, many with multiple comments. CARB is also closely monitoring the development of sustainability reporting frameworks in jurisdictions around the world (e.g., EU, UK, Australia, the ISSB standards) to help inform and further refine the development of California’s laws.

**CARB staff identified and discussed two themes that emerged from the comment solicitation: (i) who will be covered under the laws (definitions of “doing business in California,” “revenue” and corporate relationships); and (ii) what information will be required to be collected and disclosed.** The staff

requested that stakeholders review and provide feedback on CARB's preliminary thinking on these topics, and presented specific questions for follow-up.

### ***Doing Business in California***

With respect to the definition of “doing business in California,” the comment solicitation asked whether CARB should adopt the interpretation found in the California Revenue and Tax Code (RTC) Section 23101. They received a range of responses. Some commenters agreed the RTC definition is appropriate, while others argued it may be overly broad/set too low a bar, potentially capturing businesses that have only minimal ties to the state or conduct too few transactions to merit inclusion for purposes of the climate disclosure laws. Some commenters questioned whether having a remote employee base in California qualifies as “doing business.” Others suggested exemptions should be available to exclude certain business sectors entirely.

**CARB's initial thinking on this subject is that the RTC definition appears to be workable (and that there are advantages to harmonizing with definitions already codified in California code), with minor modifications proposed to Section 23101(a) and (b) to incorporate public feedback — see [Slide 22 of CARB's presentation](#).**

### ***Revenue***

For the purposes of determining whether an entity meets the annual revenue threshold, **CARB's current thinking is that the term “total annual revenue” would be defined as “gross receipts” as set forth in [RTC Section 25120\(f\)\(2\)](#).**

Follow-up questions:

- Is the initial staff thinking regarding definition of revenue in alignment with current business practices?
- Should CARB define revenue as that of the Parent if a Subsidiary is doing business in California?
- If revenue is defined at the Subsidiary level, should the GHG reporting also be calculated at the subsidiary level?
- Are you aware of other potential existing definitions of “revenue” that CARB should consider?

### ***Corporate Relationships***



CARB reported that responses to the information solicitation indicated that **further definition and clarity are needed regarding parent and subsidiary relationships. CARB's initial thinking is to leverage the Cap-and-Trade approach to defining corporate relationships.** Under the California Cap-and-Trade program, a corporate association exists when one entity has a degree of ownership or control over another entity. A level of ownership or control of 50% or greater requires establishment of a Corporate Association in the Cap-and-Trade program.

Follow-up questions:

- Should the Cap-and-Trade approach of operational control be used to define a Parent and Subsidiary relationship?
- Are there other thresholds or considerations that CARB should include in an operational control requirement?
- If the Cap-and-Trade approach to operational control is deemed inappropriate, are there other suggestions for defining a parent and subsidiary relationship?

### ***What Information Will Be Required***

CARB reported that responses to the information solicitation indicated that most commenters supported corporate GHG reporting but **requested that CARB regulations be consistent with the requirements of existing protocols and programs to minimize costs and duplication of efforts** (given that many companies are already reporting GHG emissions and financial risk information in accordance with existing protocols).

Follow-up questions:

- How can CARB support companies in making GHG disclosures more useful to investors and consumers?
- Are there modifications to existing protocols or standards that would help ensure consistent, comparable and high-quality emissions reporting?
- What challenges do reporters face accessing data, and how can CARB help address them?
- How can CARB improve clarity and usability of reporting requirements to meet California regulatory standards and support all reporters?

### ***SB-253 Discussion Questions***

SB-253 currently requires reporting of Scopes 1, 2 and 3 emissions metrics regardless of materiality. CARB is now posing the following question about **possible Scope 3 (value chain) materiality thresholds**:

- Should/How should CARB think about developing materiality thresholds that focus Scope 3 emissions on the most significant emissions categories — without undermining transparency? What factors should guide development of such materiality thresholds?

### ***SB-261 Discussion Questions***

- How should SB-261 be implemented by CARB? Regulation? Guidance?
- What are lessons learned from the ongoing EU (or other international) experience(s) that CARB should be aware of?
- Are there differences in how EU (or other international) regulators approach considerations such as clarity, enforceability or flexibility that we should keep in mind as we design California's program?

### **GHG Emissions Reporting Enforcement Safe Harbor**

Numerous times throughout the workshop, CARB staff pointed to the **Enforcement Notice** issued in December 2024 that grants a one-year enforcement delay for “good faith efforts” to comply with the GHG emissions disclosure law (SB-253) during the initial 2026 reporting cycle. Specifically, the notice states that, **for the first emissions report due in 2026 (for Scopes 1 and 2), CARB will not issue any penalties or take enforcement action against companies that submit incomplete emissions data, so long as they demonstrate “good faith efforts” to comply with the law’s requirements and are actively working toward full compliance. For the first report due in 2026, companies may submit Scopes 1 and 2 emissions from their prior fiscal year that can be determined from information the company already possesses or is already collecting at the time the notice was issued (December 2024).** CARB officials emphasized that companies can “*use/start with what they have.*”

During the public feedback session, several participants noted it would be helpful for CARB to provide clarity as to what “good faith” reporting entails (“*how much leniency do companies have?*”). **CARB did not respond to a question about whether the enforcement safe harbor could also be applied to the climate risk disclosure law (SB-261) or whether a similar enforcement notice granting relief for “good**

**faith” reporting will be forthcoming with respect to the first climate-related financial risk report due in 2026.**

## **Miscellaneous**

- CARB staff did not answer any questions about substantive reporting requirements.
- One participant asked whether Scopes 1 and 2 emissions reporting will be due on specific dates in 2026 or at any time during the year. CARB replied that this would be clarified by the implementing regulations under development.
- An open question is whether reporting deadlines will be defined with reference to companies’ fiscal years rather than the calendar year. CARB indicated this issue has yet to be worked out.

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