



California Climate Disclosure Laws: Key Takeaways from August 21 Workshop

Posted in: California Climate Disclosure Laws

Posted on: August 22, 2025

CARB discusses and solicits input on proposed fee framework, scoping definitions, and various reporting and assurance considerations—including minimum climate risk reporting requirements and June 30, 2026 due date for initial Scopes 1 and 2 emissions reporting and related limited assurance requirement—and updates rulemaking timeline

On August 21, 2025, the California Air Resources Board (CARB), the state's lead agency for climate change programs, held a 3.5+-hour virtual public workshop to advance the regulatory development and implementation of the state's landmark corporate climate disclosure laws, SB-253 (annual GHG emissions disclosure) and SB-261 (biennial climate-related financial risk disclosure), as amended by SB-219—also known as “the 200s” (see our [client alert](#), which includes a tabular summary of the laws' key provisions). The August 21 workshop was the second in a planned series that launched with CARB's May 29 webinar (which we previously discussed [here](#)), and follows the publication of implementation [FAQs](#) last month (previously discussed [here](#)).

The workshop was again moderated by CARB Assistant Division Chief Dr. Sydney Vergis and consisted of a 45-minute presentation by CARB staff, followed by a nearly 3-hour Q&A/public feedback session. CARB noted there were several hundred more registered attendees for this webinar than the first one, which had over 3,000 participants.

During the workshop, CARB staff discussed and solicited stakeholder input on a proposed implementation fee framework, scoping definitions, and various reporting

and assurance considerations—including minimum climate risk reporting requirements under SB-261 and a June 30, 2026 due date for initial Scopes 1 and 2 emissions reporting and the associated limited assurance requirement under SB-253—and updated its rulemaking timeline. CARB’s presentation slides are [here](#), and a recording of the webinar is [here](#).

As a reminder, SB-253 requires public and private U.S. companies that “do business” in California with total annual revenue **exceeding \$1 billion** to annually report on Scopes 1 (direct) and 2 (indirect from purchased energy) GHG emissions (including limited assurance over those metrics) **beginning in 2026** covering fiscal year (FY) 2025 information and on Scope 3 (value chain) emissions **beginning in 2027** covering FY 2026 information, regardless of materiality. SB-261 requires public and private U.S. companies that “do business” in California with total annual revenue **exceeding \$500 million** to post a climate-related financial risk report to their website by **January 1, 2026**, with biennial updates thereafter (i.e., once every two years).

Key takeaways from the workshop follow. Note that CARB has opened a public docket and [will accept written comments](#) on concepts presented during the workshop for the next three weeks, through September 11. Interested parties may also contact CARB with questions and comments at climatedisclosure@arb.ca.gov (input received via email will be posted to the [public docket](#)). For additional information and resources, see CARB’s [California Climate Disclosure Laws Landing Page](#).

Litigation Update: *Though not discussed during the workshop, federal litigation against both SB-253 and SB-261 continues to proceed in the U.S. District Court for the Central District of California. 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.*

On August 13, the court denied a motion for preliminary injunction filed by a coalition of business groups seeking to block implementation and enforcement of the laws on First Amendment grounds during the pendency of the litigation. The plaintiff-business groups subsequently announced their intention to pursue an appeal in the Ninth Circuit and on August 20 filed a motion seeking an injunction pending appeal. A hearing on this motion has been scheduled for September 8, and the plaintiffs have requested that the court render a decision by September 15. The outcome of this decision will determine whether the laws will continue to remain in effect while the broader legal challenge proceeds through the courts.

Workshop Highlights

- CARB has proposed a **June 30, 2026 due date for initial Scopes 1 and 2 emissions reporting and the associated limited assurance requirement** under SB-253
- **Draft reporting templates for Scopes 1 and 2 emissions reporting under SB-253 will be posted for public feedback by the end of September 2025**
- CARB confirmed that **emissions reporting should correspond to the company's prior *fiscal* year, as opposed to the calendar year** (it had previously been an open question whether the emissions reporting deadlines under SB-253 would be defined with reference to companies' fiscal years rather than the calendar year)
 - **For SB-261 climate risk reporting, calendar year or fiscal year data is acceptable**
- CARB has proposed **minimum climate risk reporting requirements under SB-261**
- For the initial climate-related financial risk report due by January 1, 2026, **reporting of Scopes 1, 2 and 3 GHG emissions will NOT BE REQUIRED as part of the SB-261 recommended metrics and targets disclosures. Nor will quantitative climate scenario analysis be required as part of the recommended strategy disclosures**
- CARB's preliminary estimate of the statutorily mandated annual implementation and administration fee **for SB-253 entities is \$3,106 and for SB-261 entities is \$1,403**
- **Critical scoping criteria such as the definitions of "revenue" and "doing business in California" remain under development and have yet to be finalized**; CARB continues to seek public feedback on the feasibility of its various proposals
- CARB does not plan to develop its own accreditation program for assurance providers for purposes of SB-253 reporting but rather will leverage existing accreditation mechanisms and frameworks. As such, **there will be no requirement that assurance engagements be performed by a CARB-accredited assurance provider**

- **Draft implementing regulations for both laws are expected to be released in October** for a 45-day public comment period, with the **final proposed regulations presented for Board approval/adoption in December**

Please note that CARB is still in the decision-making phase and thus proposals are provisional and subject to change as the rulemaking process advances; no final determinations have been made.

Provisional Rulemaking Timeline

CARB previously pledged to deliver draft implementing regulations “by the end of the year.” During the workshop, Dr. Vergis said **the staff expects to present implementing regulations to the Board for final approval/formal adoption at a public Board hearing by December 2025.**

CARB’s slide deck outlines the following draft timeline:

August 21	Public workshop
August 21–September 11	Public comment period for feedback on workshop concepts
October 14	Notice of proposed rulemaking
October 17–November 30	45-day APA comment period begins
December 11–December 12	Board consideration of proposed rulemaking (public Board hearing)

Proposed Scoping Definitions: Covered Entities & Exemptions

“Revenue”

For the purposes of determining whether an entity meets the annual revenue threshold, CARB staff at the May workshop floated defining “total annual revenue” as “gross receipts” as set forth in California Revenue and Taxation Code (RTC) **Section 25120(f)(2)**. However, critics of this proposed definition have argued it is too

expansive and that gross receipts are not a suitable metric for gauging revenue due to data confidentiality limitations and lack of verification. A CARB official noted there was no consensus on how to define revenue based on the public feedback submitted.

Alternatively, **CARB staff is now proposing that revenue be defined as “the total global amount of money or sales a company receives from its business activities, such as selling products or providing services.” This definition does not deduct operating costs or other business expenses, and is consistent with metrics used by major data tracking and reporting industries, such as Dunn & Bradstreet, Standard & Poor’s and Data Axle.**

“Doing Business in California”

With respect to the foundational definition of “doing business in California,” CARB staff at the May workshop initially considered pointing to the interpretation found in RTC Section 23101—see [Slide 15 of CARB’s presentation](#)—though many commenters have argued this definition is overly broad/sets 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. CARB now notes the following:

- **Staff is instead exploring existing databases of U.S.-based companies that could be used to establish “doing business in California”**
- Limitations exist for using California Franchise Tax Board data
- The California Secretary of State Business Entity database is publicly available and lists any entity with a designated agent for service of process in California

See [Slide 19](#) for a preliminary analysis of projected covered entities based on the proposed scoping criteria outlined above (using Dunn & Bradstreet revenue data and businesses registered with the California Secretary of State with “active” status), which estimates that **approximately 4,160 entities would be in scope of SB-261** (total annual revenue in excess of \$500 million) and **approximately 2,596 entities would be in scope of SB-253** (total annual revenue in excess of \$1 billion). **In the coming weeks, CARB intends to initiate a process to validate the preliminary list of covered entities.** The staff emphasized that companies subject to the regulation will be responsible for compliance, even if not initially included on the staff’s list or outreach.

Parent-Subsidiary Relationships

CARB's initial thinking was to leverage the Cap-and-Trade approach to defining corporate relationships. Based on the existing Cap-and-Trade regulation:

“Subsidiary is a business in which another company (the parent or holding company) owns more than 50% of its voting stock. A subsidiary has a different legal business name than its parent company. This corporate relationship implies that the parent company has a controlling interest and can influence the subsidiary's operations, management and financial decisions, even though the subsidiary operates as a separate legal entity.”

The staff is now proposing to identify subsidiaries through evaluation of commercial databases, cross-referenced with the Secretary of State database and/or the Franchise Tax Board database. The staff is seeking public feedback on a process where companies may choose to self-report on parent-subsidiary relationships to avoid reporting for multiple entities under the same parent company.

Exempted Entities

Based on stakeholder comments, the staff proposes and invites public input on the following exemptions:

- Non-profits
- A company whose only business in California is the presence of teleworking employees
- Government entities would not be covered and do not need an exemption because they are not formed under business entity laws
- California Independent System Operator (CAISO) or a business entity whose only activity within California consists of wholesale electricity transactions that occur in interstate commerce

One workshop participant recommended that CARB also consider exempting entities with no employees in the state.

Proposed Implementation Fee Framework & Estimated Fees Per Covered Entity

SB-253 and SB-261 require CARB to assess an annual fee for the implementation and administration of the new climate reporting programs. Companies subject to regulation will be assessed the fee. CARB staff is recommending the following:

- **Assessment of a “flat” fee per regulated entity, to be adjusted annually for inflation** (and for fund deficit/surplus in future years)
- The flat annual fee for each program would be calculated as the annual program cost divided by the number of covered entities
- Companies with more than \$500 million in revenue would annually pay the Climate-Related Financial Risk Disclosure Fund Fee (SB-261)
- Companies with more than \$1 billion in revenue would *also* annually pay the Climate Accountability and Emissions Disclosure Fund Fee (SB-253) (i.e., they would be subject to both annual fees)
- Subsidiaries filing parent company reports still represent separate entities subject to fee (i.e., the fee would be payable by each in-scope subsidiary even if the subsidiary is covered by a parent company report)

CARB’s preliminary estimate of the annual fee for SB-253 entities is \$3,106 and for SB-261 entities is \$1,403.

In response to a question, a CARB official confirmed that even though the SB-261 reporting cadence is biennial, the associated administration fee will be charged on an annual basis as the legislation explicitly states that the fee must be paid annually.

SB-261 Reporting Considerations

General

As previously announced in the July 2025 implementation FAQs, CARB plans to open a public docket on December 1, 2025 for covered entities to post the public link to their first climate-related financial risk report. The public docket is intended to “help support transparency by providing one location for the public to be able to review all climate risk reports.” **CARB expects to keep this public docket open until July 1, 2026.** (Note that companies are still required to post their climate risk report to their website by January 1, 2026 but have until July 1, 2026 to link their report to CARB’s global repository.)

SB-261 allows for the use of the TCFD framework as well as existing voluntary reporting frameworks that are TCFD-aligned, such as the ISSB standards (evolved from the TCFD framework — note that after the TCFD disbanded, the IFRS foundation took over the monitoring of the progress of companies’ climate-related disclosures).

CARB has highlighted a number of resources that provide guidance on climate-related financial reporting, including the following:

- [Recommendations of the Task Force on Climate-related Financial Disclosures \(June 2017 Final Report\)](#)
- [TCFD's Reporting Climate-Related Financial Information: Critical Introductory Materials](#)
- [IFRS S2 Climate-related Disclosures](#)
- [IFRS Comparison of IFRS S2 and TCFD Recommendations](#)

Proposed Minimum Climate Risk Reporting Requirements

CARB staff has provided and is seeking stakeholder feedback on the following draft guidance on the minimum requirements for compliance with SB-261 (see [Slides 27-33](#)).

Reporting Standards

Companies may use one of several frameworks to meet SB-261 disclosure requirements:

- Final Report of Recommendations of TCFD (2017)
- IFRS Disclosure Standards (which leverage the TCFD framework)
- A report developed in accordance with any regulated exchange, national government or other governmental entity

Each report submitted to CARB should:

- Contain a statement on which reporting framework is being applied
- Discuss which recommendations and disclosures have been complied with 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

In response to a question whether the SB-261 report must be a standalone report or whether the company can link to other reporting (e.g., SEC filings, sustainability reports) that meets the statutory requirements, the staff clarified that **if an existing**

report is consistent with the statutory requirements, the company can just provide a link to it and need not produce a standalone report.

Principles

At a minimum, CARB expects companies to provide the following climate-related financial risk disclosures in their SB-261 reports. Four overriding principles underpin these disclosures, informed by TCFD (2017) and IFRS S2:

- **Governance**

Describe your organization's governance structure for identifying, assessing and managing climate-related financial risks. Details should include:

- Management oversight of climate-related risks and opportunities and should provide a description pertaining to board oversight of those climate-related risks and opportunities (if the reporting entity has a board)

- **Strategy**

Describe the actual and potential impacts of climate-related risks and opportunities on the company's operations, strategy and financial planning. This includes describing:

- The climate-related risks and opportunities the organization has identified over the short, medium and long term
- The impact of climate-related risks and opportunities on the organization's operations, strategy and financial planning
- The resilience of the organization's strategy, taking into consideration the future impacts of climate change under various climate scenarios

- **Risk Management**

Describe how the reporting entity identifies, assesses and manages climate-related risks including a qualitative description of:

- The processes the reporting entity uses for identifying, managing and assessing climate-related risks, and how those considerations and processes are integrated into the organization's overall risk management

- **Metrics and Targets**

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

- For a discussion of material relevance as used in this context, see TCFD 2017. If using a different framework, refer to that framework's guidance

A KPMG representative sought clarification **whether companies will be required to disclose opportunities (and not just risks) as part of their SB-261 reporting**. A CARB official suggested they will, noting that the opportunity language is embedded in the frameworks (e.g., TCFD, ISSB) referenced in the legislative text.

Emissions Reporting

Importantly, CARB officials stated that, for the initial climate-related financial risk report due in 2026, reporting of Scopes 1, 2 and 3 GHG emissions (as is advised by TCFD/IFRS where material) will NOT BE REQUIRED as part of the SB-261 recommended metrics and targets disclosures. The officials noted they had received feedback that this would not be feasible for many companies during the first reporting cycle, especially those subject to SB-261 but not SB-253. However, if the company is already collecting this emissions data, then it should be included in the company's SB-261 report, to the extent material. Companies also reporting under SB-253 will still be required to disclose emissions information pursuant to SB-253.

Scenario Analysis

CARB staff clarified that **quantitative climate scenario analysis similarly will NOT BE REQUIRED to be included in the initial SB-261 report as part of the recommended strategy disclosures** if the company isn't already preparing this, in recognition that such companies may need some lead time to ramp up. If the company has it, CARB would like to see it, but for the first report it's a "nice-to-have" rather than a mandatory disclosure requirement.

Reporting Periods & Good Faith Enforcement Relief

In the July 2025 implementation FAQs, CARB stated that it had 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 FY 2023/2024 or FY 2024/2025 depending on the organization.**"

Also in the FAQs, CARB announced **it is accepting “good faith” compliance efforts with respect to the first climate-related financial risk report due in 2026** (analogous to its December 2024 [Enforcement Notice](#) which provides a good faith safe harbor for the first SB-253 emissions report due in 2026), 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.”

In response to a question, the staff confirmed that **FY 2024 data can be used for the first round of SB-261 reporting—i.e., it would satisfy good faith efforts—if that is the best and most recent data available**. CARB declined to respond to a question whether the initial SB-261 report must cover two years of data or if just one would suffice; CARB said only that “**we would love to see the most recent data available for the company**” and that “**the basic rule of thumb is to use the most recent available data.**”

Calendar vs. Fiscal Year Data

In response to a question, the staff confirmed that **calendar year data is acceptable for SB-261 reporting**, as the statute is silent on this point and does not explicitly reference “fiscal year” (as SB-253 does). Thus, companies may use either calendar year or fiscal year information for their SB-261 report.

SB-253 Reporting Considerations

Proposed Timing of Scopes 1 and 2 Reporting in 2026

CARB has proposed a **June 30, 2026 reporting deadline for initial Scopes 1 and 2 emissions reporting under SB-253** and invites public input on the feasibility of this deadline, including for companies with a non-calendar fiscal year. **As of now, the associated limited assurance requirement is contemplated to be completed by that same date.**

Several commenters during the Q&A session expressed timing-related concerns and requested that CARB stagger the assurance deadline—for example, if the due date for reporting Scopes 1 and 2 emissions is June 30, 2026, the related assurance could be due closer to the end of the year. A CARB official said **the staff would be happy to consider a tiered assurance deadline** and would like to explore how this is done elsewhere in practice, as they don’t want to burden

companies with unreasonably tight assurance deadlines. Public feedback on this point is welcome.

In addition, **the staff will post for public feedback draft reporting templates for Scopes 1 and 2 reporting by the end of September 2025.** The draft templates will contain an option to include other actions that reduce greenhouse gases, such as investments in renewable electricity and gas, among others.

Regarding the scope of emissions reporting, one workshop attendee questioned whether emissions must be reported only for the state of California or across an entity's entire U.S. operations. The staff did not have an answer and encouraged the public to weigh in with recommendations on this point.

CARB officials confirmed that **emissions reporting should correspond to the company's prior *fiscal* year, as opposed to the calendar year** (it had previously been an open question whether the emissions reporting deadlines under SB-253 would be defined with reference to companies' fiscal years rather than the calendar year).

CARB staff also confirmed that **the correct reference point for determining a company's prior fiscal year is January 1, 2026** (i.e., the determination of the company's most recent complete fiscal year can be made as of January 1, 2026).

Proposed Assurance Criteria

SB-253 requires entities to seek independent third-party assurance of their GHG reporting, which is intended to increase user confidence in the quality of data reported to CARB. **Limited assurance (a review)** over Scopes 1 and 2 emissions metrics will be required beginning with the first year of reporting (i.e., in 2026 covering FY 2025 data), followed by **reasonable assurance (an audit)** beginning in 2030 (covering FY 2029 data). On or before January 1, 2027, CARB has discretion to establish an assurance requirement for Scope 3 emissions which, if required, must be performed at a limited assurance level beginning in 2030 (covering FY 2029 data). Reasonable assurance over Scope 3 disclosures will not be required.

The statute does not mandate the use of specific assurance standards. Potential standards CARB is considering and welcomes public feedback on include the following:

- ISSA 5000 (IAASB)
- AA1000

- ISO 14060 family
- AICPA

CARB notes it may opt to audit assurance and reporting activities, and that it “retains all authority to review information submitted by reporting entities and assurance providers, and take enforcement action as appropriate.”

In response to a question, the staff said that CARB does not have a list of accredited or CARB-approved assurance providers. CARB is not planning to develop its own accreditation program for assurance providers for purposes of SB-253 reporting but rather will leverage existing accreditation mechanisms and frameworks and what’s already out in the marketplace. **There is no requirement for a CARB-accredited assurance provider, either now or in the future.**

Limited Assurance

Slide 41 describes **characteristics of a limited assurance framework**, including limited review of data and controls; impartiality; assurance is given in the negative (“*nothing has come to our attention that causes us to believe that the emissions data report is not materially correct*”); lower confidence in completeness and accuracy; and potential qualifiers around findings.

Slide 42 outlines a **draft implementation process for limited assurance**, including sampling plans; reviews of data management systems; limited data checks; limited conformance checks; process documentation; log of any found and corrected errors by the reporting company; and report and statement at the conclusion. CARB welcomes input on these steps.

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