Grant Thornton

Snapshot

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California climate reporting laws

On October 12, 2026, the California Office of Administrative Law (OAL) approved the California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (the Initial Regulation), which establishes the first requirements for entities with a reporting requirement under Senate Bill (SB) 253, codified in Health and Safety Code Section 38532, to report greenhouse gas (GHG) emissions. The effective date of the Initial Regulation is October 12, 2026. This Snapshot includes details from the initial SB 253, as well as the requirements established by the Initial Regulation.

While SB 253 applies only to entities doing business in California that meet applicable revenue thresholds, entities subject to the new reporting requirements are likely to implement various policies and procedures, which may include information requests from entities in their value chains. As such, even entities that are not subject to the reporting requirements will benefit from being familiar with the latest requirements.

SB 253, *Climate Corporate Data Accountability Act*

SB 253 requires the California Air Resources Board (CARB) to develop and adopt regulations requiring "reporting entities," as defined, to publicly disclose annually their Scope 1, Scope 2, and Scope 3 GHG emissions based on the Greenhouse Gas Protocol's standards. The Initial Regulation is the first of these regulatory actions, with additional regulations expected as CARB's rulemaking development process continues. The Initial Regulation, consistent with SB 253, defines "reporting entities" to mean any "partnership, corporation, limited liability company, or other business entity formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States with total annual revenues in excess of $1 billion and that does business in California." The Initial Regulation further specifies that an entity's revenue amount should be determined by the lesser of the entity's two previous fiscal years of revenue. While the bill does not include non-U.S. entities that transact business in California in the definition of a "reporting entity," the GHG emissions disclosure requirements would apply to foreign companies with legal entities organized in the United States that collectively meet the revenue thresholds and do business in California.

Doing business in California

The Initial Regulation establishes a definition of "doing business in California" to mean conducting business and meeting either of the criteria set forth in Subsections 23101(b)(1) or 23101(b)(2) of the California Revenue and Taxation Code. Those subsections stipulate that a taxpayer (that is, a business entity for the purposes of the Initial Regulation) is doing business in California for a taxable year if either one of the following conditions is satisfied:

- The taxpayer is organized or commercially domiciled in California.

- The taxpayer's sales for the taxable year in California exceed the lesser of $500,000 or 25 percent of the taxpayer's total sales.

The Initial Regulation also specifies that (1) wholesale sales of electricity that occur in interstate commerce are not included when determining an entity's sales in California under the 23101(b)(2), and (2) doing business in California is evaluated at the individual business-entity level.

Reporting requirements and timeline

SB 253 requires entities qualifying as reporting entities to annually disclose, beginning in 2026, their Scope 1 and Scope 2 GHG emissions for fiscal year 2025. Although SB 253 requires limited assurance beginning in 2026, CARB has announced that it will accept submissions regardless of whether assurance has been obtained for the 2026 reporting cycle. Starting in 2027, reporting entities will be required to disclose fiscal year 2026 Scope 3 GHG emissions, in addition to Scope 1 and Scope 2 emissions, on a schedule to be specified by CARB. Limited assurance over Scope 3 emissions is unlikely to apply until 2030.

For the 2026 reporting cycle, the Initial Regulation specifies that each reporting entity is required to report their Scope 1 and Scope 2 emissions for the preceding fiscal year on or before November 10, 2026. Reporting entities are required to measure and report their emissions of greenhouse gases in conformance with the Greenhouse Gas Protocol standards and guidance, including the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard as well as the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, jointly developed by the World Resources Institute and the World Business Council for Sustainable Development. For the report due on November 10, 2026 only, each reporting entity may submit either of the following in lieu of Scope 1 and Scope 2 emissions for the preceding year:

- Scope 1 and Scope 2 emissions from the reporting entity's prior fiscal year, which can be determined from information the reporting entity already possesses or was already collecting on or before December 5, 2024; or
- A statement on the reporting entity's company letterhead indicating that the reporting entity is not submitting a report because the reporting entity did not possess Scope 1 or Scope 2 emissions information and was not collecting information on or before December 5, 2024.

The Initial Regulation allows reports to be consolidated at the parent company level. If a subsidiary of a parent company meets the definition of a reporting entity noted above, the subsidiary is not required to prepare a separate report.

Annual fees and reporting applicability

In addition to the updates discussed above, the Initial Regulation addresses the calculation of annual fees for reporting entities, payment and collection of fees, and fee enforcement. It also specifies that the regulation does not apply to the following organizations:

- Tax-exempt nonprofit or charitable organizations;
- Business entities subject to regulation by the California Department of Insurance or those involved in the business of insurance in any other state;
- Federal, state, and local government entities as well as companies that are majority-owned by government entities;
- Business entities whose only activity within California consists of wholesale electricity transactions that occur in interstate commerce; and
- Business entities whose only business in California is employee compensation or payroll expenses, including teleworking employees.

Reporting submission guidance

In addition to the Initial Regulation, CARB also released guidance for submitting SB 253 reports in September 2026. CARB noted that a voluntary 2026 report intake platform was developed to help streamline fee implementation and first-year reporting. The platform is a tool that CARB created to simplify the process for regulated entities, but use of the platform is not mandatory.

As part of this guidance, CARB identified the following acceptable formats for 2026 reporting:

- Submit an existing annual report including Scope 1 and Scope 2 GHG emissions.
- Submit existing Scope 1 and Scope 2 data reported to other programs or voluntary initiatives.
- Use CARB's Draft Scope 1 and Scope 2 Template for reporting Scope 1 and 2 data.

If an entity was not collecting information relating to its Scope 1 and Scope 2 emissions as of December 5, 2024, CARB requests that the entity submit a statement of non-reporting on company letterhead, indicating that they were not collecting data nor were

they planning to collect data at the time the December 2024 Enforcement Notice was issued. Several companies have already submitted letters stating that they were not collecting data nor planning to collect data at the time the Enforcement Notice was issued, and CARB now recommends this approach. Entities can submit this statement either using the intake platform or emailing climatedisclosure@arb.ca.gov before November 10, 2026.

Future CARB rulemaking

Although the Initial Regulation is now final, CARB's rulemaking process continues, which is expected to result in additional regulations impacting reporting entities under SB 253. CARB's recent public communications and outreach has indicated a need to focus in the near term on regulations in the following areas:

- Expanding mandatory elements for Scope 1 and Scope 2 reporting expansion
- Establishing mandatory assurance standards
- Establishing initial Scope 3 emissions reporting requirements, which would include a potential phase-in proposal starting in 2027 requiring reporting on the five most commonly reported categories: purchased goods and services, fuel- and energy-related activities, waste generated during operations, business travel, and employee commuting)

SB 261, *Climate-Related Financial Risk Act*

In addition to SB 253, which addresses GHG reporting, a second set of requirements specific to climate-related financial risks is addressed by SB 261.

Specifically, SB 261 requires "covered entities" to biennially disclose publicly a "climate-related financial risk report," which should include the covered entity's climate-related financial risks as well as measures to mitigate such risks. The bill defines "covered entities" as any "corporation, partnership, limited liability company, or other business entity formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States" that do business in California, with total annual revenues exceeding $500 million. The definition of "covered entity" specifically excludes entities that are in the business of insurance. While "covered entities" does not include non-U.S. entities that transact business in California, the climate risk disclosure requirements will likely apply to foreign companies with legal entities organized in the United States that collectively meet the revenue thresholds and do business in California.

SB 261 requires covered entities to prepare on or before January 1, 2026 a climate-related financial risk report, which should include disclosure of:

- Climate-related financial risks based on either the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) or on an equivalent standard, such as the International Sustainability Standards Board's sustainability standards
- Measures to mitigate climate-related financial risk

The bill allows entities with multiple locations to file a consolidated report at the parent level or to comply by preparing a publicly accessible report that includes financial risk disclosures required by other regulations or laws, such as the EU Corporate Sustainability Reporting Directive. Additionally, the state board will adopt regulations to seek penalties for failures to publicly report the necessary information.

On November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit issued an order enjoining enforcement of California SB 261 as the U.S. Chamber of Commerce's appeal proceeds. This order temporarily halts the enforcement of climate-related risk reporting obligations. The appeal was heard by the Ninth Circuit in January 2026; however, a ruling has not yet been handed down.

Next steps

Entities meeting the applicable revenue thresholds are encouraged to determine whether they "do business in California" to understand how both bills will impact their reporting requirements. Additionally, all entities, even those without a business in California, are encouraged to inventory their GHG emissions because they may need to provide GHG emissions data to a reporting entity as part of that entity's Scope 3 GHG emissions calculation.

	SB 253	SB 261
Applicability	"Reporting entity" • Doing business in California • Annual revenues in excess of $1 billion • Partnership, corporation, limited liability company, or other business entity formed under laws of California, another U.S. state, District of Columbia, or an act of U.S. Congress unless specifically exempted (see above)	"Covered entity" • Doing business in California • Annual revenues in excess of $500 million • Partnership, corporation, limited liability company, or business entity formed under laws of California, another U.S. state, District of Columbia, or an act of U.S. Congress
Report	Scope 1, Scope 2, and Scope 3 GHG emissions	Climate-related financial risks and measures to mitigate such risks
Beginning periods	Fiscal years 2025 (Scope 1 and Scope 2 GHG emissions) and 2026 (Scope 3 GHG emissions)	On or before January 1, 2026
Assurance	Scope 1 and Scope 2: limited assurance beginning in 2026* and reasonable assurance beginning in 2030. Scope 3: limited assurance is unlikely to apply until 2030.	None
Frequency	Annually	Biennially
Current status	Active law; Initial Regulation in place	Currently stayed by the U.S. Court of Appeals for the Ninth Circuit

* Health and Safety Code Section 38532 requires limited assurance beginning in 2026. Given first-year enforcement discretion, CARB will accept submissions regardless of whether assurance has been obtained for the 2026 reporting cycle.

Grant Thornton insight

This Initial Regulation is another example of the increasing climate reporting requirements being proposed in numerous jurisdictions. Refer to Snapshot 2026-06 discussing the European Union's Corporate Sustainability Reporting Directive. With the increased climate reporting requirements, we encourage all entities to establish a comprehensive climate reporting program that will allow them to comply with regulatory requirements, meet stakeholder expectations, and foster resilience by understanding risks and opportunities.

Contact



Marjorie Whittaker
Partner
ESG & Sustainability
T +1 202 521 1535
E Marjorie.Whittaker@us.gt.com

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