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ESG LITIGATION AND SUSTAINABILITY
COMPLIANCE ADVISORY

California Issues FAQs on Corporate GHG Reporting and Climate Risk Disclosure Requirements

July 17, 2025

On July 9, 2025, the California Air Resources Board (CARB) released Frequently Asked Questions (FAQs) to help guide companies in complying with the state's new Corporate Greenhouse Gas (GHG) Reporting and Climate-Related Financial Risk Disclosure Programs. Specifically, the FAQs address certain regulatory development, applicability, reporting requirements, deadlines, and key definitions under SB 253 and SB 261.

As discussed in greater detail in our prior California climate disclosure advisory, SB 253 applies to US-based entities with $1 billion or more in annual revenue that do business in California and requires such entities to annually disclose Scopes 1, 2 and 3 greenhouse gas (GHG) emissions for the prior fiscal year. SB 261 applies to US-based entities with $500 million or more in annual revenue that do business in California and requires such entities to publish on their own website a biannual climate-related financial risk report that discloses (i) their "climate-related financial risk" in accordance with the recommended framework and disclosures of the Task Force on Climate-Related Financial Disclosures (TCFD); and (ii) measures adopted to mitigate and adapt to that climate-related financial risk. Some companies may be subject to one or both thresholds.

Reporting Process and Deadlines

The FAQs provide the following important updates on the process for compliance with respect to Climate-Related Financial Risk Disclosure Programs (SB 261):

- CARB will post a public docket for covered entities to post the location of the public link to their first climate-related financial risk report on **December 1, 2025**.
- Covered entities must prepare and publish their first climate-related financial risk report by **January 1, 2026**, and biennially thereafter. CARB will maintain a public docket for posting links to these reports through **July 1, 2026**.

However, the FAQs did not provide a specific deadline for GHG emissions reporting (SB 253) and independent third-party verification, which will be due in 2026 with respect to Scope 1 and Scope 2 GHG emissions and 2027 with respect to Scope 3 emissions reporting. For more information on CARB's discretion to set Scope 3 emissions disclosure deadlines, please see our SB 219 advisory.

Seeking Input on Certain Definitions

The FAQs seek feedback on proposed definitions for "revenue," "doing business in California," and related terms and phrases. The initial staff concept for "doing business in California" is based on the Franchise Tax Board definition, considering factors such as sales, property and payroll thresholds within the state. In short, the following factors are proposed:

1. The entity is actively engaged in any transaction for financial or pecuniary gain or profit; and
2. Any one of the following is true:
    a. The entity is organized or domiciled in California;
    b. Sales in California exceed the inflation-adjusted threshold of $735,019;
    c. The entity's real and tangible property exceed the lesser of the inflation-adjusted threshold of $73,502 or 25 percent of the entity's real and tangible personal property; or
    d. The entity's payroll paid in California exceeds the inflation-adjusted threshold of $73,502 or 25 percent of the entity's total payroll.

Feedback on these definitions should be sent to climatedisclosure@arb.ca.gov and will be posted to the public docket once received.

Reporting Framework

The FAQs clarify that entities have flexibility in choosing an established reporting framework, such as the TCFD, to guide the content of their climate-related financial risk reports. Once chosen, entities should apply the principles embedded in their chosen framework.

Enforcement and Good Faith Compliance

CARB also provided assurances through the FAQs that it will consider "good faith" efforts to comply when assessing potential penalties for violations. The agency recognizes that initial disclosures may be based on the best available information, including information from fiscal years 2023-2024 or 2024-2025, and understands that data quality may improve over time as companies enhance their data collection processes.

Ongoing Litigation

Litigation over California's climate disclosure laws continues to advance in the US District Court for the Central District of California, with a hearing on the plaintiffs' motion for a preliminary injunction expected to be held in the coming months. The court has issued a scheduling order, which sets key dates for discovery and trial, with proceedings expected to extend into late 2026. Such litigation could result in delaying, modifying or even eliminating the climate-related reporting requirements.

Next Steps

CARB will continue to solicit public input as it develops final regulations. Companies subject to the new requirements should prepare for compliance by reviewing the FAQs, assessing applicability, choosing an established reporting framework if they have not done so already and continuing to collect robust data in anticipation of the January 1, 2026 reporting deadline. Such companies should also continue to monitor litigation developments given the aforementioned potential effects on the reporting requirements.

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