California Climate Laws: Countdown to Disclosure

Preparing for Senate Bill 253 and 261

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California takes the lead on climate disclosure

California has taken a leading role in shaping U.S. climate disclosure policy with the passage of three landmark laws collectively known as the California Climate Accountability Package. Signed by Governor Gavin Newsom in 2023, these laws, SB 253 (Climate Corporate Data Accountability Act) and SB 261 (Climate-Related Financial Risk Act), will require thousands of companies, both public and private, to publicly report greenhouse gas emissions and climate-related financial risks.

- **SB 253** (Climate Corporate Data Accountability Act), requiring disclosures of greenhouse gas (GHG) emissions; and
- **SB 261** (Climate-Related Financial Risk Act), requiring disclosures of climate-related financial risks.

The first reporting deadlines arrive in 2026, setting the stage for a new era of corporate transparency. Companies with more than $1 billion in global revenue that do business in California will need to report their Scope 1 and Scope 2 emissions starting that year, followed by Scope 3 emissions in 2027 under SB 253. Meanwhile, entities with more than $500 million in annual revenue will be required to disclose their climate-related financial risks and mitigation strategies under SB 261. It is important to note that despite an original deadline of Jan 1st, SB 261 (climate-related financial risk disclosure) just hit an unexpected pause after a last-minute injunction from the Ninth Circuit.

While these rules align with global frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS S2, implementation remains fluid. The California Air Resources Board (CARB), tasked with developing the regulatory framework, has delayed its final rulemaking to Q1 2026, leaving companies to prepare amid uncertainty.

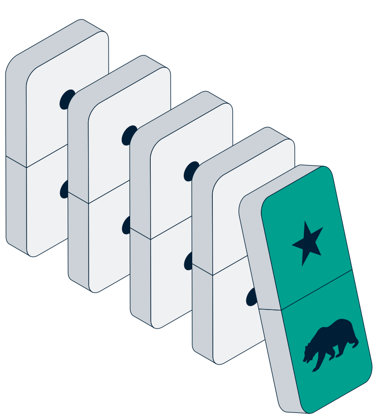
The first reports are due in 2026, but with regulators behind schedule and guidance still in flux, companies can't afford to wait. This is the moment to prepare, plan, and act. This guide outlines the current requirements, key developments from CARB, and practical steps organizations should take now to ensure compliance ahead of the rapidly approaching deadlines.

Background and legislative context

California's Climate Accountability Package didn't appear in a vacuum, but as a direct response to the widening gap between voluntary climate commitments and verifiable, comparable disclosures. For years, companies have published sustainability reports with inconsistent metrics and limited assurance, leaving investors and regulators with little clarity on actual climate performance. By enacting SB 253 and SB 261, California has effectively positioned itself as the regulatory engine driving climate disclosure standards across the country.

The California Effect

The enactment of these laws is no small feat. California now ranks as the world's fifth-largest economy, soon to surpass Germany to become the fourth, and its regulatory influence extends far beyond state lines. For decades, California has led the nation in environmental innovation, from pioneering vehicle fuel-efficiency standards to advancing renewable energy mandates. The state's decisions routinely shape federal policy and global market behavior, a phenomenon often called the "California Effect." Now, under these new climate laws, any company doing business in California, regardless of where it's headquartered, must comply (with some exceptions). That means global corporations like Apple, IKEA, and more are all within scope, along with countless smaller firms that sell goods and services into the state. The inclusion of private companies, not just publicly traded entities, also dramatically widens the reach of disclosure requirements and signals a fundamental shift toward universal accountability.

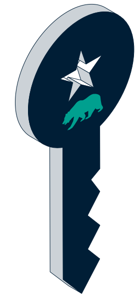


Supply Chain Impact

One of the most consequential aspects of these laws is the inclusion of Scope 3 emissions under SB 253. By requiring companies to report not only their direct and purchased-energy emissions (Scope 1 and 2) but also their value chain emissions, California is triggering a ripple effect that will reach suppliers, contractors, and service providers across the economy. Larger companies will depend on smaller partners to furnish accurate data to complete their Scope 3 inventories, effectively pulling thousands of additional businesses into the climate reporting ecosystem, many for the first time.

Mirroring disclosure trends

This move also signals California's growing role as a de facto national regulator. In the absence of finalized federal climate disclosure rules from the SEC, California's legislation fills the void by setting expectations for data quality, governance, and assurance that other states and federal agencies are likely to mirror. The rules also reflect broader trends already unfolding voluntarily through frameworks like the Science Based Targets initiative (SBTi), CDP, and TCFD, where companies have increasingly recognized the strategic and financial importance of measuring and managing climate impact across their entire value chain.



Understanding SB 253: The Climate Corporate Data Accountability Act

SB 253 establishes the first statewide, mandatory greenhouse gas (GHG) disclosure program in the United States, rivaling the scope of Europe's sustainability directives. It requires large companies doing business in California to quantify, verify, and publicly report their emissions.

Who's Covered

The law applies to public and private U.S. companies with **over $1 billion in global annual revenue that "do business" in California**, a definition still being refined by the California Air Resources Board (CARB). This standard captures not just California-based corporations, but also national and multinational firms with even limited economic activity in the state.

This makes SB 253 the most far-reaching climate disclosure law in U.S. history, with California estimating coverage of more than 5,000 companies across all sectors. CARB emphasized that the preliminary covered-entity list released in September 2025 is not definitive and should not be used as a compliance cutoff.

Reporting Requirements and Timeline

Covered entities must begin disclosing their emissions annually on the following schedule:

- **August 10, 2026:** First reporting deadline for Scope 1 (direct emissions) and Scope 2 (purchased electricity, heat, or steam) emissions for the prior fiscal year. (extended from June 30 to give companies additional runway)
- **2027 (date TBD):** First reporting deadline for Scope 3 emissions (indirect emissions) from a company's supply chain and product use.
- CARB has temporarily lifted the limited assurance requirement for the first reporting year, although assurance is still "strongly encouraged".

These annual disclosures must be made publicly available and filed through a new CARB-managed platform.

CARB's Draft Reporting Template & Announcements

CARB has released a voluntary draft reporting template to help companies begin preparing. The template includes:

- Organizational details and boundary definitions
- Methodology disclosure and emission factors used
- Intensity metrics (e.g., emissions per revenue or product output)
- Optional sections for base-year comparisons and reduction targets

CARB has repeatedly underscored flexibility for the first cycle of reporting: companies can rely on existing data, use commonly available calculation methods (such as the GHG Protocol), and report using "best efforts" until formal rules are finalized. The finalized version is expected alongside CARB's rulemaking in Q1 2026.

- Comply or explain:
    - Companies unable to produce full emissions inventories by the deadline may:
    - Submit whatever emissions data they can reliably produce
    - Provide a narrative explanation of data gaps, system limitations, or methodological obstacles

Assurance and Verification

Verification by an independent third party is strongly encouraged in 2026 and will be mandatory in later filing years.

- Limited assurance will be required for Scope 1 and 2 data at first.
- Reasonable assurance, a more rigorous standard, will be phased in by 2030.

CARB has indicated it will exercise enforcement discretion for initial filings, recognizing that data systems, processes, and assurance frameworks are still maturing.

Strategic Implications

- **Assurance is now a requirement, not a choice**. Independent third-party verification will become a baseline expectation for investors and regulators alike.
- **Data integrity is paramount**. Companies should treat emissions data like financial data, with internal controls, documentation, and governance to withstand audit scrutiny.
- **Technology investment is unavoidable.** Manual reporting systems will not scale; centralized platforms capable of tracking and validating emissions across sites and regions are becoming essential.

Timeline

2025

Pre Compliance Prep: Companies should be collecting 2025 emissions data and closely monitoring CARB announcements

November 18: Ninth Circuit issued a preliminary injunction pausing enforcement of SB 261, and updating guidance for SB 253

2026

January 1, 2026 climate risk report deadline is on hold for now*

January 9: oral arguments are currently scheduled

August 10: The deadline for first SB 253 reports (scope 1 and 2 emissions) was extended six weeks - from original June 30th date. (limited-assurance level now optional for first year)

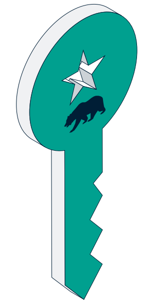
*we expect an updated timeline and rulemaking guidelines from CARB in early 2026

2027

SB 253 Scope 3 Emissions Reporting begins. (limited assurance level enforcement begins)

2030

SB 253 escalates to reasonable assurance level reporting



Understanding SB 261: The Climate-Related Financial Risk Act

While SB 253 targets emissions data, SB 261 shifts focus to the financial implications of climate change: how climate-related risks affect a company's operations, strategy, and bottom line. Together, the two bills form the backbone of California's climate accountability framework: one about measuring impact, the other about managing risk.

Who's Covered

SB 261 applies to public and private companies with **more than $500 million in global annual revenue that do business in California.** Like SB 253, the law's reach extends far beyond California-headquartered firms, capturing a wide range of national and international corporations. Insurance companies are exempt, but all other sectors are in scope. CARB estimates roughly 10,000 companies will be covered

Reporting Requirements and Timeline

- **Enforcement is temporarily paused due to the Ninth Circuit injunction.**
- The January 1, 2026 report deadline is suspended, and CARB is "evaluating the ruling."
- CARB continues to refine guidance and expectations, signaling that companies should stay on track.

Framework Options

CARB's Climate-Related Financial Risk Report Checklist, released in mid-2025, outlines several accepted frameworks companies may use to structure their reports:

- **Task Force on Climate-related Financial Disclosures (TCFD)**
- **IFRS S2** Climate-related Disclosures
- **Any other framework** developed under regulated exchanges or government oversight

This flexibility lets companies leverage existing reporting systems and phase in more robust disclosures over time.

Core Disclosure Pillars

Reports must align with four main pillars, consistent with TCFD and IFRS S2:

1. **Governance:** Describe the organization's oversight and management of climate-related financial risks.
2. **Strategy:** Identify climate risks and opportunities over short-, medium-, and long-term horizons, and explain their potential financial impact.
3. **Risk Management:** Outline how these risks are identified, assessed, and integrated into broader enterprise risk processes.
4. **Metrics and Targets**: Disclose metrics and targets used to evaluate progress, including adaptation and mitigation measures.

CARB clarified that quantitative GHG emissions are not required under SB 261's initial reporting cycle, avoiding overlap with SB 253 and easing the transition into compliance.

Guidance for First-Time Reporting

CARB's checklist and FAQs emphasize a pragmatic, phased approach:

- Companies can conduct qualitative scenario analysis rather than complex modeling.
- Parent-level consolidated reporting is allowed for subsidiaries.
- Best available data, whether from fiscal or calendar years, can be used for the first cycle.
- Good-faith efforts and transparent explanations for omissions will be considered during enforcement reviews.

Assurance and Enforcement

SB 261 does not yet require third-party assurance but encourages transparent, evidence-based reporting. CARB has stated it will take enforcement discretion into account for early compliance efforts, particularly given the short timeline before the first reports are due.

Why SB 261 Matters

SB 261 formally integrates climate risk into corporate financial reporting, effectively transforming sustainability into a board-level business imperative. It compels companies to treat climate risk as a financial variable that can affect asset valuations, supply chains, insurance costs, and investor confidence.

By mandating disclosure, California is mainstreaming the global shift toward climate-informed financial governance.

How SB 253 and SB 261 Work Together

These two laws are designed to complement each other to deliver the most comprehensive picture yet of corporate climate accountability.

- SB 253 → Quantitative emissions data (what's happening)
- SB 261 → Qualitative financial and strategic risk disclosure (why it matters)

CARB Rulemaking and Delays: The Current State of Uncertainty

The California Air Resources Board (CARB) is the state agency responsible for implementing both SB 253 and SB 261. It has been actively developing the detailed regulations that will govern disclosure formats, verification standards, and enforcement procedures. But the process has not been smooth.
Originally scheduled to finalize rules by mid-2025, CARB has since pushed its initial rulemaking to the first quarter of 2026, citing an overwhelming volume of public comments and ongoing debate over which entities fall within the scope of the laws. This delay means that companies must begin preparing to meet statutory reporting deadlines before the final rules are in place. The latest news came on November 18, 2025, when the Ninth Circuit issued a preliminary injunction pausing enforcement of SB 261 (the climate-related financial risk reporting law) while the business-group lawsuit plays out.

Where Things Stand Now

- **Rulemaking Delay:** CARB's draft regulations were initially due July 1, 2025, then postponed to December 2025, and now delayed again to Q1 2026.
- **October 14, 2025 Notice**: CARB formally announced the delay, stating that it needed additional time to address stakeholder feedback and clarify how "doing business in California" will be defined.
- **November 18, 2025:** preliminary injunction pausing enforcement of SB 261.
    - That means the January 1, 2026 climate risk report deadline is on hold for now; oral arguments are currently scheduled for January 9, 2026.
    - The Ninth Circuit did NOT stay SB 253. Companies are still expected to prepare for Scope 1, 2, and later Scope 3 emissions reporting if they meet the >$1B revenue / "doing business in CA" thresholds.
- **Public Docket and Resources:** Despite the delay, CARB has rolled out several resources to help companies prepare, including:
    - FAQs on Climate Disclosure Requirements (July 2025)
    - Preliminary List of Potentially Covered Entities (September 2025): identifying entities "doing business" in California
    - SB 261 Climate-Related Financial Risk Checklist (November 2025)
    - SB 253 Scope 1 & 2 Draft Reporting Template and Memo (October 2025)
    - Updated FAQ (November 2025)
    - Slide deck of information (November 2025)

The Challenge for Companies

Practically speaking: You may not need to publish an SB 261 risk report on Jan 1, but you absolutely need to keep preparing one. A pause does not mean a pivot away from preparation, and CARB has reiterated: "Keep preparing, because this requirement is coming back." Meanwhile, SB 253 continues full speed ahead, with clearer timelines and early flexibility baked in

The companies best positioned for compliance are those that prepare now, build the right data infrastructure, and begin aligning with GHG Protocol, TCFD, and IFRS S2 frameworks even amid uncertainty.

Costs, Fees, and Administrative Considerations

Beyond the operational demands of data collection and disclosure, California's climate laws also introduce new administrative costs that companies will need to plan for. The California Air Resources Board (CARB) has proposed a flat annual fee structure to support implementation and oversight of the reporting system.

Proposed Annual Fees

- SB 253 (GHG Emissions Reporting): $3,106 per covered entity
- SB 261 (Climate-Related Financial Risk Reporting): $1,403 per covered entity
- Entities that fall under both laws, those with over $1 billion in revenue, would pay both fees, totaling $4,509 annually.

Even if a parent company files consolidated reports on behalf of its subsidiaries, each subsidiary must still pay its own separate entity fee. This requirement ensures that CARB can fund the administrative infrastructure needed to manage the scale of reporting, verification, and enforcement activities.

What the Fees Support

These fees are designed to offset CARB's costs for:

- Building and maintaining the digital reporting portal and public disclosure database
- Reviewing submissions and ensuring compliance with verification standards
- Conducting enforcement, audits, and public outreach
- Providing guidance and stakeholder engagement resources

While relatively modest compared to the broader costs of compliance such as third-party verification, data management software, and internal controls, the fees underscore that compliance under California's framework is not a one-time effort but an ongoing operational responsibility.

Preparing for Administrative Readiness

Covered entities should ensure that climate disclosure costs are accounted for in budgeting and compliance planning for FY 2025–2026. Many companies are incorporating these fees into broader ESG and regulatory reporting budgets, alongside costs for:

- Internal staffing and training
- Consultant and auditor support
- Data management and reporting systems
- Legal review and governance oversight

Viewed strategically, these expenses are investments in long-term resilience and regulatory alignment. As more jurisdictions adopt similar requirements, companies that build scalable reporting infrastructure now will minimize future administrative burdens.

Compliance Roadmap: Steps to Take Now

The deadlines for California's climate disclosure laws are approaching fast, and uncertainty around final rulemaking leaves little room for delay. The most successful companies will treat this moment as an opportunity to build durable, integrated sustainability systems that meet global standards, making sure to capitalize on the grace period for less rigorous reporting due to the delays from the CARB rulemaking.

Below is a practical roadmap for preparing to comply with SB 253 and SB 261 before the 2026 reporting cycle begins.

1. Confirm Applicability

- Review CARB's Preliminary List of Covered Entities to verify whether your organization or any subsidiaries appear.
- Assess your global revenue thresholds ($500M for SB 261; $1B for SB 253) and confirm whether you "do business" in California under evolving definitions.
- Determine if reporting will be entity-level or consolidated at the parent level.

2. Strengthen Governance

- Establish or update board-level oversight for climate-related risks and disclosures.
- Integrate climate accountability into your company's broader governance and risk management frameworks.
- Clarify roles across sustainability, finance, legal, and communications to ensure consistent reporting and review.

3. Build Data Infrastructure

For SB 253 (Emissions Reporting):

- Map your Scope 1 and 2 emissions sources and align methodologies with the GHG Protocol.
- Begin identifying Scope 3 data dependencies, particularly within supply chains, to prepare for 2027 reporting.
- Engage external assurance providers early to prepare for limited assurance in 2026 and reasonable assurance by 2030.

For SB 261 (Risk Disclosure):

- Select a disclosure framework (TCFD or IFRS S2) and perform a gap analysis to identify missing elements.
- Conduct or update a climate risk assessment, focusing on transition and physical risks.
- Consider qualitative scenario analysis as a first step, with plans for more quantitative modeling in future cycles.

4. Integrate Climate and Financial Data

- The most effective compliance strategies connect sustainability data with financial systems.
- Embed climate data into enterprise risk management (ERM) and financial reporting workflows.
- Standardize documentation to ensure traceability and consistency for both internal audit and third-party assurance.

5. Engage External Partners

- Consult with legal counsel and assurance providers to confirm readiness.
- Collaborate with suppliers and partners on data requests—especially for Scope 3 emissions.
- Consider technology solutions (such as ESG or carbon accounting software) that centralize data, automate tracking, and facilitate multi-framework reporting.

6. Monitor CARB Developments

- Track CARB's final rulemaking in Q1 2026 and subsequent guidance updates.
- Participate in CARB's public comment opportunities to shape evolving rules.
- Adjust reporting plans promptly once final regulations are released.

Key Challenges and Uncertainties

As companies race to prepare for 2026 reporting deadlines, several unresolved issues threaten to complicate compliance efforts. These challenges stem largely from CARB's delayed rulemaking and the unprecedented scope of California's new laws. Understanding these uncertainties and planning around them is essential for minimizing regulatory and reputational risk.

Defining "Doing Business" in California

The most fundamental ambiguity remains who exactly is covered. Neither SB 253 nor SB 261 explicitly defines "doing business," leaving CARB to interpret this critical term. Early proposals referenced the **California Revenue and Tax Code Section 23101,** which uses very low thresholds: **as little as $735,019 in annual sales, $73,502 in property, or $73,502 in payroll in California.**

This definition could bring thousands of out-of-state and foreign entities into scope, even those with minimal operations in the state. While CARB is exploring alternative approaches (such as using Secretary of State or commercial databases to identify covered entities), final clarity is unlikely before 2026. Until then, companies are advised to assume broad applicability and prepare accordingly.

Rulemaking Lag and Reporting Deadlines

CARB's decision to delay final rulemaking until Q1 2026 means that companies must report before rules are finalized. **For SB 261, the first reports are now paused due to a legal injunction, and for SB 253, August 10, 2026.**

This misalignment forces companies to make judgment calls on methodologies, boundaries, and verification levels. Although CARB has promised enforcement discretion and encouraged use of "best efforts," the lack of finalized technical guidance introduces compliance risk, especially for companies that delay preparation in hopes of additional clarity.

Scope 3 Complexity and Supply Chain Pressure

Under SB 253, reporting Scope 3 emissions (indirect emissions from upstream and downstream value chains) will be the most complex requirement. Large corporations will depend heavily on smaller suppliers for emissions data, creating a ripple effect that cascades through supply networks.

Many smaller businesses lack the resources or expertise to measure their emissions, meaning that primary reporting entities will need to invest in supplier engagement, data standardization, and system integration. This value chain pressure could be the single most significant secondary impact of California's climate laws.

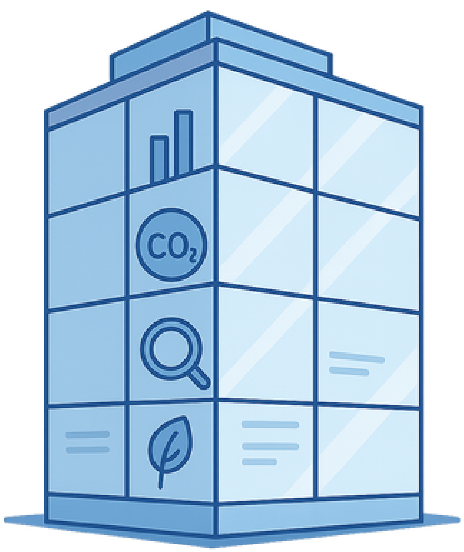
Assurance Readiness and Data Reliability

Starting in 2027, companies must obtain limited assurance for Scope 1 and 2 data from an independent third party, escalating to reasonable assurance by 2030. Many organizations are unprepared for this level of scrutiny.

Common challenges include:

- Inconsistent data collection across regions or business units
- Gaps between sustainability and finance systems
- Limited internal controls or documentation trails

Without early investment in data governance and cross-functional oversight, companies risk delays, higher assurance costs, or noncompliant disclosures.



Overlap with Other Regulatory Regimes

Companies that already report under the EU's CSRD, IFRS S2, or upcoming SEC climate disclosure rules may face overlapping but non-identical requirements. Aligning these frameworks, each with slightly different scopes, metrics, and timelines, will require careful mapping to avoid duplication and ensure consistency across markets.

CARB's emphasis on accepted frameworks like TCFD and IFRS S2 helps reduce friction, but global multinationals will still need to coordinate cross-jurisdictional disclosures.

Administrative and Legal Risks

Even with CARB's assurance of leniency in early enforcement, companies remain exposed to potential public scrutiny, investor pressure, and litigation risk for inaccurate or incomplete reporting. Because all disclosures will be public, early missteps can have reputational consequences.

This reinforces the need for transparent methodologies, documentation of assumptions, and internal sign-offs before publishing any climate data or financial risk disclosures.

The most effective approach is proactive: **prepare under existing frameworks, document your rationale, and demonstrate good-faith compliance.**

Tango technology can help

The coming wave of climate disclosure requirements demands precision, integration, and confidence in your data, all of which depend on having a single, trusted system for managing energy and emissions information. Tango's Energy & Sustainability platform, powered by WatchWire, is built to deliver exactly that.

Centralized, Verified Emissions Data

Tango automates data collection from utilities, facilities, and systems across global portfolios, providing precise Scope 1 and 2 calculations aligned with the GHG Protocol. We can eliminate manual data wrangling and ensure every emissions figure is defensible when CARB verification begins.

- **Automatically normalizes energy and emissions data** across regions, fuels, and vendors.
- Supports **15 categories of Scope 3** mapping by capturing supplier and logistics inputs, enabling the transparency larger corporations will demand of their value chains.
- Prepares **audit-ready records** with built-in documentation trails for limited assurance in 2026 and reasonable assurance by 2030.

Support Verification and Assurance

With built-in audit trails, document attachment, and automated calculations, Tango's platform helps organizations prepare for limited assurance today and reasonable assurance in the future. The system maintains version control and evidence transparency, ensuring your disclosures are verifiable and compliant when third-party assurance providers review them.

Drive Cross-Functional Collaboration

Compliance under SB 253 and 261 is a company-wide effort. Tango's platform connects finance, operations, legal, and sustainability teams in a single data environment with customizable dashboards, reducing silos and improving efficiency across departments. The result is consistent, defensible disclosure data and faster reporting cycles.

Enable Transparent, Framework-Aligned Reporting

Whether you're preparing your first climate risk report under SB 261 or establishing GHG disclosures under SB 253, Tango simplifies this process. Built-in data structuring, configurable templates, and exportable reports make it easy to align with CARB's developing requirements, while providing the flexibility to support other frameworks like CDP and CSRD.

About Tango

The power of knowing. The impact of acting.

Tango is a leading provider of Energy & Sustainability Management software. Global organizations rely on our solution to track and reduce energy consumption, manage carbon emissions, streamline utility data, and confidently meet sustainability goals. From utility data auditing to automated sustainability reporting, Tango empowers businesses to operate more efficiently and responsibly. As sustainability becomes a core business imperative and regulations evolve, data-driven insights from Tango's platform are critical to achieving long-term sustainability success.

Learn more at tangoanalytics.com