

Even Without SEC Climate Rules, U.S. Companies May Still Need to Disclose GHG Emissions in 2026

September 15, 2025

Although the SEC climate rules never became effective, the California GHG emissions disclosure and assurance requirements apply to a significant number of public and private U.S.-based companies (including U.S. subsidiaries of non-U.S. companies) that do business in California, and the first reports could be due as early as June 30, 2026 (subject to final implementing regulations slated for December). Below are nine questions to help companies unpack the latest guidance, assess remaining open issues and determine how to prepare.

What is Required and When?

Beginning in 2026, each public and private U.S.-based company that is deemed to be a Reporting Entity¹ must submit its greenhouse gas (GHG) emissions report and assurance verification covering the prior fiscal year to the California Air Resources Board (CARB). Although the implementing regulations and guidance are not yet finalized, CARB's current proposal is for Reporting Entities to publish and file their first GHG emissions report covering fiscal year 2025 by **June 30, 2026**. In the current proposal, everything required for the report (both the emissions data and the assurance verification) would need to be submitted by this date. We note this deadline received substantial criticism during the working group session on August 21, 2025, and CARB encouraged feedback to be submitted through the comment process, citing that they did not want to set any "impossible deadlines."

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¹ A Reporting Entity is any business entity formed under U.S. law (federal or state) with total annual revenues in excess of \$1 billion that does business in California. See below "How Do I know if I'm a Reporting Entity?" for more detail.

Compliance Timeline Snapshot:***Initial Compliance Dates***

What	When
SB 253 Greenhouse Gas Emissions Report (Scope 1 and Scope 2) and Limited Assurance Verification (Scope 1 and Scope 2) covering fiscal year 2025	First report must be submitted to CARB for public access by June 30, 2026*
SB 253 Annual Fee Payment	First annual payment must be made sometime in 2026**

* As noted above, this is only a proposed deadline and the actual final deadline may be later. Some commenters have suggested having a separate, later deadline for the assurance verification. Until final guidance has been published, we encourage companies to work towards this deadline for both the GHG emissions disclosures and the assurance verification, to the extent feasible.

** CARB has not yet published any guidance on whether there will be a separate fee payment deadline. For now, we would expect the fee payment deadline to be the same as when the report is due (which was the original requirement before SB 219 provided CARB with more discretion to set the deadlines).

Ongoing Compliance Dates

What	When
SB 253 Greenhouse Gas Emissions Report and Assurance Verification covering the prior fiscal year	Reports are required to be submitted to CARB for public access <u>every year</u> after the first submission
SB 253 Greenhouse Gas Emissions Data (Scope 1, Scope 2 <u>and</u> Scope 3) and Limited Assurance Verification (Scope 1 and Scope 2 <u>only</u>) covering the prior fiscal year	First report covering this additional information begins in 2027 , covering fiscal year 2026 (exact deadline for submission to CARB is still unknown)
SB 253 Greenhouse Gas Emissions Data (Scope 1, Scope 2 and Scope 3) and <u>Reasonable Assurance</u> Verification (Scope 1 and Scope 2) and Limited Assurance Verification (<u>Scope 3</u>) covering the prior fiscal year	First report covering this additional information begins in 2030 , covering fiscal year 2029 (exact deadline for submission to CARB is still unknown)
SB 253 Annual Fee Payment	The fee required by SB 253 must be paid <u>annually</u> after the initial payment

Can Subsidiaries Rely on a Parent/Consolidated Report?

Under SB 219, GHG emissions reports may (but are not required to) be consolidated at the parent company level, meaning that a subsidiary entity that is a

Reporting Entity does not need to separately prepare a GHG emissions report if its parent submits a report (even if the parent is not a Reporting Entity itself). Pending formal guidance from CARB, we recommend companies identify in any consolidated parent-level

report each subsidiary that is a Reporting Entity, in order to indicate compliance and facilitate CARB's review.

Open issues: Currently, "subsidiary" is defined using the existing California Cap-and-Trade regulation as any business in which another company (the parent) owns more than 50% of its voting stock and has a different legal business name than the parent company. This means that non-wholly owned subsidiaries and certain joint ventures could be included. At the August working group session, CARB acknowledged that there is still significant work to do in clarifying regulations relating to compliance for different parent/subsidiary fact patterns, and encouraged outreach from companies who have situation-specific questions.

What is Required in the GHG Emissions Report?

Each Reporting Company must include the appropriate GHG emissions data and include appropriate assurance verification by an accredited independent third-party assurance provider on the reported GHG emissions in each report. The GHG emissions report must include both the Reporting Entity's legal name and any fictitious names, trade names, assumed names, and logos used by the Reporting Entity, and it must be drafted in a manner that is easily understandable and "maximizes access" for the Reporting Company's consumers, investors, and other stakeholders.

In the first year of compliance these GHG emissions reports must include:

- Scope 1 and Scope 2 GHG emissions disclosures, covering data from the prior fiscal year; and
 - Prior fiscal year in this case should be determined based on January 1, 2026 (i.e., fiscal year 2025, for most companies).
- Limited assurance for Scope 1 and Scope 2 GHG emissions.

GHG emissions data should cover all emissions for the Reporting Entity, and should not be limited to emissions within California.

After the first year, the reports must include (in addition to everything covered above):

- Scope 3 GHG emissions disclosures beginning in 2027, covering data from the prior fiscal year (fiscal year 2026, for most companies);
- Reasonable assurance for Scope 1 and Scope 2 GHG emissions beginning in 2030, covering data from the prior fiscal year (fiscal year 2029, for most companies); and
- Limited assurance for Scope 3 GHG emissions beginning in 2030, covering data from the prior fiscal year (fiscal year 2029, for most companies).

The legislation makes clear that the GHG emissions report should be prepared in accordance with the Greenhouse Gas Protocol standards and guidance, including the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard developed by the World Resources Institute and the World Business Council for Sustainable Development. SB 253 "does not require additional reporting of emissions of greenhouse gases beyond the reporting of scope 1 emissions, scope 2 emissions, and scope 3 emissions required pursuant to the Greenhouse Gas Protocol standards and guidance or an alternative standard, if one is adopted after 2033." Many companies that disclose their GHG emissions already follow the Greenhouse Gas Protocol standards, which means that complying with SB 253 should not require much additional work.

PRACTICE NOTE

SB 253 clarifies that a Reporting Entity's GHG emissions report must include disclosures that take into account any acquisitions, divestments, mergers and other structural changes that may affect the Reporting Entity's greenhouse gas emissions reporting. Companies that currently disclose GHG emissions but have not historically accounted for such transactions and structural changes should work to understand how these may impact their existing disclosures for compliance under SB 253.

CARB announced during the August working group session that they will be publishing draft templates covering what they expect to see for these GHG emissions reports by the end of September, at which point there will be opportunity for comment and feedback. CARB also encouraged submissions of feedback ahead of time, as they finalize the initial drafts. Although CARB did not name any specific frameworks, CARB did repeatedly emphasize that its intention is not to create new standards and reinvent best practices, and instead rely on existing frameworks and standards that are already reviewed as best practice by the market.

In light of evolving best practices and standards for GHG emissions data collection and reporting, CARB will also continue to monitor such changes in trends as we get closer to the longer-term deadlines in 2030, which means we may receive further changes in guidance as we get closer to those later dates (particularly with respect to Scope 3 assurance requirements).

NEXT STEPS

A number of companies already disclose GHG emissions, with or without some level of assurance verification. Certain such disclosures may be voluntary, while others may be pursuant to pre-existing climate-related disclosure reporting requirements in non-U.S. jurisdictions (such as the EU and the UK). Companies that intend to satisfy SB 253 requirements using existing disclosures, including those prepared pursuant to home country requirements, should ensure the disclosures are consistent with SB 253 and determine whether any supplemental disclosures may be necessary.

What Should I Do if my Company is Not Ready or Does Not Have GHG Emissions Data for Fiscal Year 2025?

In its enforcement report published last December, CARB acknowledged that GHG emissions reporting may require significant lead time, and some companies may not have such data or be able to collect such data

in time for the first year of reporting. Therefore, CARB announced that it will exercise its enforcement discretion for the first year of reporting and not take enforcement action against any company that submits an incomplete report, as long as it shows a good faith effort to submit all the relevant data it has for the prior fiscal year. CARB noted this discretion only applies to the first report due in 2026, and does not reflect its enforcement position for future reporting years.

What Do I Need to Know About the Limited Assurance Verification Requirement?

Limited assurance on Scope 1 and Scope 2 GHG emissions disclosures will be required in the report that must be submitted in 2026, covering fiscal year 2025 data. At the August working group session, CARB clarified that its “limited assurance” framework included (i) limited review of data and controls, (ii) impartiality, (iii) assurance given in the negative (“nothing has come to our attention...”), (iv) lower confidence in completeness and accuracy, and (v) the possibility of including qualifiers around findings. Nevertheless, according to CARB, the assurance verification must follow “a systematic, independent and documented process for evaluating a Reporting Entity’s emissions data report against CARB’s reporting procedures and methods for calculation and reporting of GHG emission and product data.”

The assurance verification must be performed by an independent third-party assurance provider, and providers must be accredited and perform the verification pursuant to certain recognized standards. At the August working group session, CARB proposed the following list of acceptable standards:

- ISSA 5000 (IAASB)
- AA1000
- ISO 14060 family
- AICPA

Although this list is not exhaustive and may be subject to change, we would not expect that any of the above standards would be removed from the finalized list. CARB was explicit that it would not be creating any new standards and would instead be leveraging

existing industry-recognized standards. CARB also confirmed that it was not planning to maintain a list of accredited verifiers or do its own accreditation for assurance providers and would instead rely on existing accreditation frameworks.

How Do I Know if I'm a Reporting Entity?

Under SB 253, any business entity formed under U.S. law (federal or state) with total annual revenues in excess of \$1 billion and that does business in California is a Reporting Entity.

Breaking this down:

Business Entity

Corporations, partnerships, limited liability companies, and other business entities are all potentially in scope. Unlike SB 261, SB 253 **does not** exempt insurance companies from the definition of Reporting Entity. However, CARB is considering exempting certain companies, including (i) non-profit organizations and (ii) a company whose only business in California is the presence of teleworking employees. These proposed exemptions are not formalized in any guidance yet, and CARB is still soliciting comments on which categories of business entities should be excluded from being Reporting Entities.

Formed Under U.S. Law

Reporting Entities must be business entities that are formed under the laws of a state within the United States or under an act of the U.S. Congress. Any business entity incorporated or formed under laws outside the United States is not a Reporting Entity. However, a U.S.-formed subsidiary of a non-U.S. parent company is expected to be deemed a Reporting Entity if it satisfies the other requirements.

Total Annual Revenues

Total annual revenue is calculated using the Reporting Entity's revenue for the prior fiscal year.² In the working group session on May 29, 2025, CARB proposed defining "total annual revenue" as gross

receipts as set forth in the California Revenue and Taxation Code (RTC) Section 25120(f)(2). However, at the August working group session, CARB reported that it was proposing an alternative definition, due to feedback that "total annual revenue" was not suitable due to data confidentiality limitations and lack of verification methods, and that the definition was too expansive:

"Revenue is the total global amount of money or sales a company receives from its business activities, such as selling products or providing services."

CARB noted that this definition would not deduct operating costs or other business expenses from the revenue calculation, and is consistent with metrics used by major data tracking and reporting industries (e.g., S&P, Dunn & Bradstreet, and Data Axle).

However, this second definition proposal is also not finalized. CARB is currently soliciting feedback on which option (gross receipts pursuant to the RTC, or this new definition) works better for Reporting Entities, and the final definition may still change. Similarly, how the definition applies to consolidated groups or multiple Reporting Entities in a corporate organization has not been finalized.

NEXT STEPS

While the final definition is still being workshopped, business entities should consider calculating the total revenues for any Reporting Entity under each definition. If either definition would result in the business entity being deemed to have more than \$1 billion in total annual revenue based on the prior fiscal year (including sales by agents and independent contractors), then assume that you satisfy this prong of the Reporting Entity test. Pending the final regulations, we would expect calculations would likely include consolidated subsidiary revenue of the Reporting Entity as well.

² CARB is still working to finalize the exact definitions and calculation formulas, but based on the discussions at the August 2025 working group session, we expect that the revenue would be

calculated at the U.S.-based company level, rather than at a non-U.S. parent company level.

Does Business in California

California's RTC already has a definition of "doing business in California," and CARB has proposed using the existing RTC definition (with slight tweaks):

- (i) *Any entity that is actively engaging in any transaction for the purpose of financial or pecuniary gain or profit and*
- (ii) *Any one of the following conditions is met during any part of a reporting year for such entity:*
 - *The entity is organized or commercially domiciled in California*
 - *Sales (as defined in California's RTC) for the reporting year of the entity in California exceed \$735,019 (including sales by an agent or independent contractor of the entity)*

Unlike the original iteration of the definition proposed at the May working group session, this revised definition omits the properties and payroll prongs of the RTC definition, citing complication and that those thresholds did not make a meaningful difference to their estimates of how many companies would be in scope. CARB is also exploring the viability of using existing databases of U.S.-based companies that would be used as a proxy for establishing which entities are "doing business in California." The current frontrunner being considered is the California Secretary of State Business Entity Database. However, CARB is still reviewing suggestions from commenters, and there may be further changes to the final definition.

During the August working group session, CARB mentioned that there would be a form in the future that companies can submit with any questions or disputes about their Reporting Entity status. It is unclear when such form will be available, and we would not suggest assuming that one could rely on the availability of this form to avoid preparing the GHG emissions report next year.

NEXT STEPS

Companies should consider running their scoping analysis based on the modified RTC definition (calculation guidance is set forth in RTC Sections 23101, 25135, and 25136) to determine if they would be in scope. Treasury/tax departments at companies may already have this analysis.

CARB announced they would publish a non-exclusive preliminary list of companies they believe to be in-scope in early September, but such list has not yet been published as of the date of this memo. Companies will still be responsible for compliance with SB 253 even if they are not initially included on CARB's list or outreach efforts, so exclusion on these lists should not be viewed as a defensible reason for non-compliance. Until a final definition is formalized, companies satisfying the modified RTC definition and/or companies included on CARB's list should assume they are in scope.

How Much is the Fee Payment?

Each Reporting Entity must pay the annual fee required by SB 253. As such, each in-scope subsidiary that is a Reporting Entity will need to pay the fee every year, even if they share the same parent company and report on a consolidated basis. However, CARB has confirmed that a parent company can pay one lump sum that covers the fee for each Reporting Entity subsidiary.

CARB's current proposal for the fee calculation is to do a "flat fee" calculated by dividing the total annual program cost by the total number of Reporting Entities for that year. Based on CARB's current assumptions and estimates as of the August working group session, CARB estimates that the annual fee required to be paid under SB 253 for each Reporting Entity will be approximately **\$3,106 each year** (with adjustments in future years for inflation and fund deficit/surplus).

We note that this fee is separate from the annual fee payments required under SB 261 (the California requirement that in-scope companies publish climate-related financial risk reports), and companies that are

in scope under both SB 261 and SB 253 must pay *both* fees each year.³

When Will We Have Final Regulations and Guidance?

Public comment and feedback on the current proposals closed on September 11, 2025. However, we expect they may continue to accept feedback via email.

CARB intends to publish a notice of proposed rulemaking on October 14, 2025, which opens the formal 45-day Administrative Procedure Act comment period (ending on November 30, 2025). Once feedback has been received and incorporated, CARB will present the proposed rulemaking to the full board for consideration (at a public board hearing) on December 11-12, 2025. We recognize that this does not leave much time for companies to prepare for compliance with the proposed June 30, 2026 deadline, which is why it is critically important for companies to prepare as much as possible now.

What Other Resources are Available to Me?

Our memo describing the requirements under SB 261 (climate-related financial risk reports) and steps to get ready for compliance can be found [HERE](#).

CARB's materials and recording from the August 21, 2025 working group session are here:

- [Materials](#)
- [Recording](#)

CARB's FAQ from July 9, 2025 is [HERE](#) (some responses have changed with the latest updates from the August working group session).

CARB's materials and recording from the May 29, 2025 working group session are here:

- [Materials](#)
- [Recording](#)

CARB's Enforcement Notice from December 5, 2024 is [HERE](#) (relating to enforcement discretion for good

faith efforts to prepare the GHG emissions report in the first year).

You can also email CARB with feedback at climatedisclosure@arb.ca.gov.

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³ See our other post about SB 261 [HERE](#).