CALIFORNIA CLIMATE DISCLOSURE UPDATE: CARB'S JULY 2026 WORKSHOP AND 2027 REPORTING REQUIREMENTS

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US Corporate Alert

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On 21 July 2026, the California Air Resources Board (CARB) held a virtual workshop to discuss updates and take questions from the public on the greenhouse gas (GHG) reporting required by Senate Bill (SB) 253. The workshop previewed CARB's proposed approach to 2027-and-beyond compliance, including revised Scope 1 and Scope 2 reporting timelines, additional disclosure and assurance expectations, and a proposed phased approach for Scope 3 reporting, which would require initial reporting for certain selected emissions categories and potentially expand the scope of Scope 3 reporting requirements over time.

BACKGROUND

In 2023, California enacted SB 253, a landmark statute authorizing CARB to develop the California Corporate Greenhouse Gas Reporting Program. The law applies to all US-based entities doing business in California with annual revenues exceeding US$1 billion and requires GHG disclosures in compliance with its Scope 1, 2, and 3 emissions.[1] Regulated entities must start reporting Scope 1 and Scope 2 emissions this year, while Scope 3 reporting is set to begin in November 2027.

WORKSHOP RECAP

CARB provided several important updates for SB 253 implementation and rulemaking. CARB reiterated its previous announcement that it is updating its rulemaking previously submitted to the Office of Administrative Law to require initial SB 253 reporting by 10 November 2026, which would also set the deadline for annual reporting in subsequent years. CARB staff also stated that CARB intends to issue additional Scope 1 and Scope 2 guidance materials by 1 September 2026.

CARB intends to primarily align reporting requirements with the Greenhouse Gas Protocol (GHG-P), including the Corporate Standard and Scope 2 Guidance, and it emphasized its goal of promoting interoperability with other climate disclosure frameworks, including International Financial Reporting Standards (IFRS) S2 and the European Union's Corporate Sustainability Reporting Directive (CSRD). However, CARB clarified that reporting entities will not need to comply with the Scope 2 GHG-P currently being updated. Key proposed requirements include the following:

- Disclosure of quantification methodologies.
- Separate reporting of biogenic carbon dioxide emissions.

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- Treatment of methane and nitrous oxide emissions within the relevant scope, where applicable.
- Separate disclosure of voluntary emissions reductions or removals.
- Explanations for excluded emissions sources or activities.

CARB staff also discussed recommendations on measurement uncertainty, including qualitative or quantitative assessments, where feasible, and prioritization of primary data over secondary data. For base-year recalculations, CARB staff indicated that reporting entities should treat the first reporting year as the base year and assess whether structural or methodological changes cumulatively affect more than 5% of total base-year emissions. CARB is also proposing to further clarify limited assurance requirements, identifying five acceptable standards.

Clarification on Scope 3

For Scope 3, CARB acknowledged stakeholder concerns that assessing all 15 categories as soon as 2027 could present cost and data challenges. Staff therefore suggested a phased approach, where initial reporting would be focused on the five most commonly reported categories (while encouraging voluntary disclosure of other categories where possible) as follows:

- Purchased goods and services.
- Fuel and energy-related activities.
- Waste generated during operations.
- Business travel.
- Employee commuting.

Proposed Insurance Company Applicability

Previous proposed rulemaking had exempted insurance companies from SB 253 reporting requirements. CARB now proposes that, beginning in 2027, insurance companies may submit the same report to both the California Department of Insurance and CARB if it satisfies CARB's requirements, including Scope 3 reporting.

REVISED CARB RULEMAKING

On 27 July 2026, CARB released revised rulemaking to be submitted to the Office of Administrative Law for final approval, updating the regulations initially approved by CARB. In addition to changing the deadline for initial reporting as described above, the revised regulations clarify that intercompany revenue transmitted between a parent and subsidiary or between different sections of the same company is not considered “revenue” when determining whether a company must report under SB 253 and SB 261. CARB also incorporated language from its December 2024 Enforcement Notice, stating that for initial reporting only, companies can rely upon information that the company possessed or was already in the process of collecting as of 5 December 2024. CARB also confirmed that Scope 3 reporting will not be required in 2026. These revisions and other minor technical clarifications have been circulated for public comment. The deadline to submit comments is 11 August 2026.

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NEXT STEPS

Entities should begin preparing to align with CARB's proposed approach to comply with the 10 November 2026 reporting deadline, while remaining ready to adjust as CARB develops further guidance.

CARB is proposing several listening sessions for specific industry groups in August and September 2026. The sessions provide an opportunity to provide early feedback on the proposed Scope 3 rulemaking prior to publication of the draft rule.

CARB's enforcement of both SB 253 and climate-related financial risk reporting under SB 261 is currently being challenged in litigation before the Ninth US Circuit Court of Appeals (Ninth Circuit) in *Chamber of Commerce v. Sanchez*. SB 261 has been stayed pursuant to a Ninth Circuit injunction issued in November 2025. Although the stay does not extend to SB 253 reporting, the Ninth Circuit decision could impact SB 253 as well. Regulated entities should continue to monitor the litigation, as it could affect reporting requirements and the validity of the enacting legislation.

There are also efforts to align CARB's reporting framework with other standards, including the International Sustainability Standards Board, IFRS S2, and CSRD. Companies should continue to monitor CARB's upcoming rulemaking, as well as other rulemaking efforts being undertaken by other national and international regulatory entities in this area, to evaluate for consistency and seek ways to standardize compliance efforts.

CONCLUSION

As CARB's rulemaking progresses and key deadlines approach, the firm will continue to monitor developments under SB 253. We can assist companies in understanding these evolving requirements, assessing reporting obligations, and preparing for each stage of the compliance process.

FOOTNOTES

[1] *See* Derek B. Kalbfleisch et al., *Companies Must Prepare for Complying With California's Climate Disclosure Laws Even Though California Air Resources Board Regulations Are Not Fina*l, K&L Gates HUB (Aug. 29, 2025), https://www.klgates.com/thought-leadership/Companies-Must-Prepare-for-Complying-With-Californias-Climate-Disclosure-Laws-Even-Though-California-Air-Resources-Board-Regulations-Are-Not-Final-8-29-2025.

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