



HOT TOPIC

Climate in the US

No delay in 2026 reporting under California climate laws

June 2025



CARB set to hold multiple public workshops as it develops regulations, but 2026 reporting will not be pushed back.

Source and applicability

- US business entities (including US subsidiaries of non-US companies): Climate Corporate Data Accountability Act (SB-253), Greenhouse gases: climate-related financial risk Act (SB-261), as amended by SB-219, [Greenhouse gases: climate corporate accountability: climate-related financial risk](#)
- All companies with specified activities in California: [Voluntary Carbon Market Disclosures Act](#) (AB-1305) and [proposed amendments](#) (AB-2331)

Fast facts, impacts

SB-253 and SB-261 apply to US businesses that meet specified revenue thresholds and do business in California; amendments to these laws were signed into law by the Governor in September 2024. AB-1305 applies to US and international companies that undertake specified activities in California or make certain claims.

	SB-253 (GHG emissions)	SB-261 (climate risks)	AB-1305 (carbon offsets)
Revenue:	> \$1 billion annually	> \$500 million annually	No threshold
Disclosures:	Scopes 1, 2, 3 GHG emissions	Climate-related financial risks, response	Information about carbon offsets, GHG emissions associated with claims
Effective:	Scopes 1, 2: 2026; Scope 3: 2027	On or before Jan 1, 2026	Jan 1, 2024
Assurance:	Scopes 1, 2: limited assurance from 2026; reasonable assurance from 2030	No requirement	No requirement

The California Air Resources Board (CARB) is developing regulations that will underpin SB-253 and SB-261. This Hot Topic was updated in June 2025 to incorporate details on the process that CARB will follow under the Administrative Procedure Act. See new section, [CARB regulations](#).

Background

In the movement to improve transparency and standardize climate-related disclosures, California passed the following laws, signed by the Governor in October 2023.

- **GHG emissions law.** SB-253, the *Climate Corporate Data Accountability Act*, mandates the disclosure of GHG emissions.
- **Climate risks law.** SB-261, the *Greenhouse gases: climate-related financial risk Act*, mandates the disclosure of climate-related financial risks and measures adopted to reduce and adapt to such risks.

The above laws were amended by SB-219, which was signed into law by the Governor in late September 2024. While these amendments set a deadline of July 1, 2025 for CARB to develop and adopt regulations that implement SB-253, CARB has stated publicly that the *draft* regulations will not be developed until the end of 2025. The process that CARB will follow and the implications for companies are discussed later in this Hot Topic, [CARB regulations](#).

- **Carbon offset law.** AB-1305, the *Voluntary carbon market disclosures Act*, mandates disclosures about voluntary carbon offsets and emissions reduction claims. Proposed AB-2331 would delay the effective date for reporting to July 1, 2025 but failed to pass before the end of California's 2024 legislative session.

A broad scope

GHG emissions and climate risks

SB-253 and SB-261 apply to both public and private US companies (and other business entities) that do business in California – whether or not they are physically present in the state. There are four elements to the respective scopes, which are partially aligned.

	SB-253 (GHG emissions)	SB-261 (climate risks)
Types of entities:	Corporation, partnership, limited liability company or other business entity formed under the laws of California, any other US state or the District of Columbia, or under an act of Congress	
Exclusions:	None	Insurance companies
Revenue:	> \$1 billion annually	> \$500 million annually
Nexus to California:	Doing business in California	

Revenue is calculated as 'total revenue' and not simply the revenue attributable to California. The phrase 'doing business in California' is not explained. Questions will be resolved by CARB as it develops regulations (see [CARB regulations](#)).

Carbon offsets

AB-1305 applies to both public and private companies – both US and non-US, and regardless of size – that undertake specified activities in California:

- business entities marketing or selling voluntary carbon offsets in California;
- entities operating in California that purchase or use voluntary carbon offsets sold within the state and make certain claims (e.g. achievement of net-zero emissions); and
- entities operating in California that make certain claims within the state (e.g. achievement of net-zero emissions, significant reductions in GHG emissions).

Targeted disclosures

The SB-253 and SB-261 disclosures leverage existing frameworks with additional relief for companies already reporting climate risk information.

	SB-253 (GHG emissions)	SB-261 (climate risks)	AB-1305 (carbon offsets)
Disclosures:	Scopes 1, 2 and 3 GHG emissions	Climate-related financial risks and measures adopted to reduce and adapt to such risks	Granular disclosures about carbon offset projects and programs, and GHG emissions related to claims made
Framework:	GHG Protocol	Task Force on Climate-related Financial Disclosures (TCFD)	None
Framework relief:	None	Application of equivalent frameworks permitted	N/A
Reporting relief:	Using other prepared reports; reporting at the parent level permitted	Reporting at the parent level permitted	None
Penalties:	Non-filing, late filing or other failure to meet requirements – up to \$500,000 per year	Failure to make report publicly available or publishing an inadequate or insufficient report – up to \$50,000 per year	For each day information is not available or is inaccurate, \$2,500 per violation – up to \$500,000 in total

GHG emissions

SB-253 requires companies (and other business entities) to report GHG emissions in accordance with the GHG Protocol, including the Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, developed by the World Resources Institute and the World Business Council for Sustainability Development. That Act allows companies to meet their reporting obligation using reports prepared under other national or international reporting requirements, as long as those reports satisfy all of the Act's requirements.

The following definitions are relevant to GHG emissions reporting.

- **Scope 1.** All direct GHG emissions that stem from sources that a reporting entity owns or directly controls, regardless of location, including but not limited to fuel combustion activities.
- **Scope 2.** All indirect GHG emissions from consumed electricity, steam, heating, cooling purchased or acquired by a reporting entity, regardless of location.
- **Scope 3.** Indirect upstream and downstream GHG emissions other than scope 2 emissions, from sources that the reporting entity does not own or directly control and may include, but are not limited to, purchased goods and services, business travel, employee commutes, and processing and use of sold products.

These concepts and the accounting under the GHG Protocol are explained in our Handbook, [GHG emissions reporting](#).

If the disclosures are made at a parent level, a subsidiary in scope of SB-253 need not make its own separate disclosures. Whether the parent needs to be a US company will be resolved by CARB as it develops regulations (see [CARB regulations](#)).

Climate risks

SB-261 requires entities to report under the recommendations of the TCFD or successor body. The TCFD framework includes recommended disclosures within four core pillars: governance, strategy, risk management, and metrics and targets.

Regarding a successor body, the TCFD's monitoring activities have been taken over by the IFRS[®] Foundation, which governs the activities of the International Sustainability Standards Board (ISSB). The Act specifically refers to compliance with the ISSB[™] Standards as an acceptable alternative but does not rule out other laws and regulations. In particular, European Sustainability Reporting Standards leverage the TCFD framework.

If the disclosures are made at a parent level, a subsidiary in scope of SB-261 need not make its own separate disclosures. Whether the parent needs to be a US company will be resolved by CARB as it develops regulations (see [CARB regulations](#)).

Penalties related to GHG emissions and climate risks

Penalties for violations will be imposed and recovered by CARB in administrative hearings. In imposing penalties, it will consider all relevant circumstances, including:

- the company's past and present compliance with the requirements; and
- whether the company took good faith measures to comply with the law and when those measures were taken.

Related to GHG emissions, there will be no penalty for any misstatements with regard to scope 3 emissions disclosures made on a reasonable basis and disclosed in good faith. In addition, penalties assessed on scope 3 reporting between 2027 and 2030 will occur only for non-filing.

In December 2024, CARB released a notice that it will not take enforcement action for incomplete reporting in the first year of reporting against companies that:

- don't possess the information related to scopes 1 and 2 GHG emissions, or
- aren't collecting data as of December 5, 2024,

as long as they make a good faith effort to retain all data relevant to emissions reporting for the company's prior fiscal year.

Carbon offsets

AB-1305 applies to voluntary arrangements (e.g. carbon offset, offset credit, retail offset) related to any product sold or marketed in California that makes claims that "connote that the product represents or corresponds to a reduction in the amount of greenhouse gases present in the atmosphere or that prevents the emission of greenhouse gases into the atmosphere that would have otherwise been emitted." The law does not apply to offsets under compliance programs – e.g. California's Cap-and-Trade Program.

For companies in scope of any of the three parts of AB-1305, detailed disclosures are required.

Scoping

Summary of disclosures

Business entities **marketing or selling voluntary carbon offsets** in California

- Details of the carbon offset project – e.g. protocol used to estimate emissions reductions or removal benefits, project timeline, whether there is independent third-party verification.

Scoping	Summary of disclosures
	<ul style="list-style-type: none"> Details of the accountability measures if the project is not completed or does not meet the projected emissions reductions or removal benefits – e.g. actions the entity will take if carbon storage projects are reversed. Relevant data and calculation methods to independently reproduce and verify the emissions reduction credits.
Entities operating in California that purchase or use voluntary carbon offsets sold within the state and make certain claims	Information about each project or program – e.g. name of business entity selling the offset, offset project type, whether there is independent third-party verification.
Entities operating in California that make certain claims within the state	Information about the GHG emissions associated with the claims – e.g. how the claim was determined to be accurate, how interim progress is measured, whether there is independent third-party verification.

Penalties for reporting violations will be assessed and recovered in a civil action brought in the name of the people of the State of California by the Attorney General or by a district attorney, county counsel or city attorney in a court of competent jurisdiction.

2026 reporting dates confirmed despite regulatory delays

GHG emissions and climate risk reporting is set to start in 2026 notwithstanding that CARB will not meet the July 1, 2025 deadline imposed by SB-253 for it to develop the underlying regulations (see [CARB regulations](#)).

	SB-253 (GHG emissions)	SB-261 (climate risks)	AB-1305 (carbon offsets)
Effective dates:	<ul style="list-style-type: none"> Scopes 1, 2: 2026 Scope 3: 2027 	On or before Jan 1, 2026	Jan 1, 2024 [Proposed: July 1, 2025]
Reporting frequency:	Annual	Biennial	At least annually
Reporting location:	Digital reporting platform	Company website	Company website

CARB will determine the date in 2026 from which GHG emissions will need to be reported and is expected to clarify the periods to which the reporting will relate. In setting the reporting timelines, CARB is required to consider both the typical period for receiving emissions data (e.g. from suppliers) and the capacity for independent assurance engagements (see [Assurance required from the outset](#)).

Reporting of scope 3 GHG emissions will begin one year later, in 2027, on a schedule (i.e. reporting lag from scopes 1 and 2) to be determined by CARB. The first report on climate risks is due on or before January 1, 2026 (as enacted) – i.e. before the first reporting of GHG emissions.

To facilitate reporting before regulations are final, CARB will not seek to impose penalties for ‘good faith efforts’ (see [Penalties related to GHG emissions and climate risks](#)). In addition, CARB has indicated that it will keep lines of communication open during 2025 and share its latest thinking (see [CARB regulations](#)).

A proposed amendment would delay the effective date of AB-1305 until July 1, 2025.

Assurance required from the outset

Assurance over GHG emissions is graduated, starting with limited assurance and scopes 1 and 2 GHG emissions.

	SB-253 (GHG emissions)	SB-261 (climate risks)	AB-1305 (carbon offsets)
Assurance:	<ul style="list-style-type: none">• Scopes 1 and 2: limited assurance from 2026; reasonable assurance from 2030• Scope 3: TBD	No requirement	No requirement

Although assurance over scope 3 GHG emissions is not immediately required, SB-253 instructs CARB to decide by January 1, 2027 whether to require it. If CARB decides that scope 3 GHG emissions should be assured, a requirement for limited assurance would begin in 2030.

SB-253 requires the assurance provider to be an independent third party, and to have “significant experience in measuring, analyzing, reporting, or attesting to the emission of greenhouse gasses and sufficient competence and capabilities necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements.” However, the Act does not mandate the use of specific assurance standards.

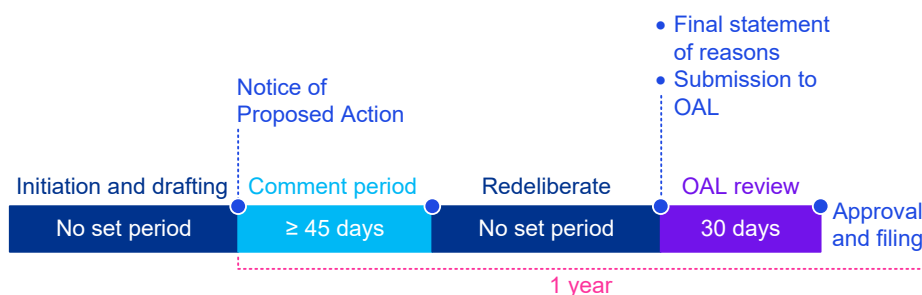
CARB is required to review the qualifications for third-party assurance providers during 2029, and to implement any updates by January 1, 2030.

CARB regulations

Stay up to date. This section outlines the process CARB will follow in developing regulations. Operating within this process, CARB held its first public workshop on May 29 and plans to hold further workshops during 2025 – listening to stakeholder feedback and sharing its thinking as it develops draft regulations. For up-to-date news on the status of these workshops and other CARB developments and insights, visit our webpage, [California climate laws](#).

In developing regulations, CARB will follow California’s structured process for adopting regulations set forth in the Administrative Procedure Act (APA). The objective of the APA process is to ensure that regulations are developed with public input, legal clarity and accountability.

There are six steps in the APA process that comprise two distinct phases (before and after triggering a set period to finalize regulations). As illustrated in the diagram, CARB has one year from the date of releasing proposed regulations for public comment (Notice of Proposed Action) through to final approval and filing.



The following is an overview of the six steps in the APA process.

Step 1: Initiation and drafting	<ul style="list-style-type: none"> The process begins when CARB identifies the need for new regulations and drafts the proposed regulations – including a statement of reasons, economic impact assessments and any supporting documentation.
Step 2: Notice of Proposed Action	<ul style="list-style-type: none"> Once CARB has drafted proposed regulations, it will solicit public comments by issuing a Notice of Proposed Action. From this point, CARB has one year to issue final regulations in Step 6. If it fails to do that, the process begins again.
Step 3: Public comment period	<ul style="list-style-type: none"> The comment period must be at least 45 days. During this time, interested parties can submit written comments or request public hearings.
Step 4: Redeliberation	<ul style="list-style-type: none"> Following the comment period, CARB will redeliberate. If substantial changes are made to the proposed regulations in redeliberation, an additional 15-day comment period (Step 3) must be provided for the revised text. This step culminates in the preparation of a ‘final statement of reasons’, which explains the rationale behind the regulations, summarizes and responds to public comments, and outlines any changes made.
Step 5: Submission to the OAL	<ul style="list-style-type: none"> CARB will submit its final rulemaking file to the Office of Administrative Law (OAL), which will assess whether APA standards have been met. The OAL will have 30 working days to complete its review.
Step 6: Approval and filing	<ul style="list-style-type: none"> Assuming the OAL approves the regulations, it will file them with the Secretary of State to become law. The regulations’ effective date(s) will depend on what type of regulations they are and when they are filed, but regulations typically become effective on one of four quarterly dates unless otherwise specified. If the OAL does not approve the regulations and Step 6 is not completed within a year of Step 2, the process will begin again.

In its review pursuant to Step 5 of the APA process, the OAL will assess the regulations against specific standards.

Authority	CARB must have legal authority to adopt the regulations.
Reference	The regulations must properly cite the relevant statutes or other legal provisions.
Consistency	The regulations must not conflict with existing laws or other regulations adopted by CARB and should align with the broader legal and regulatory framework.
Clarity	The regulations must be written so that they are easily understood by those who are directly affected. This includes using plain language, avoiding jargon and ensuring the regulations are internally consistent and unambiguous.
Non-duplication	The regulations must not in effect duplicate any other state law or regulations.
Necessity	The regulations must be essential to carry out the purpose of the law.

Resources

For up-to-date news and insights on the California climate laws, including CARB's development of regulations, visit our webpage, [California climate laws](#)

For other sustainability reporting news affecting US companies, visit our collection of resources at kpmg.com/us/sustainabilityreporting

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