



HOT TOPIC

Climate in the US

California climate laws advance as CARB approves initial regulation

Updated March 2026

CARB approves initial regulation, confirming August 10 as the SB-253 reporting deadline and definitions that drive scoping.

The 2-minute download

Enforcement of SB-261 halted

In December 2025, the California Air Resources Board (CARB) issued an Enforcement Advisory that it will not enforce the January 1, 2026 reporting deadline for SB-261 (climate risks) while an appeal is pending in the Ninth Circuit Court of Appeals. As a result, compliance is effectively voluntary for the time being.

Initial regulation (scoping and fees) approved

On February 26, 2026, CARB approved its initial regulation to implement California climate disclosure laws, SB-253 (greenhouse gas (GHG) emissions) and SB-261 (climate risks). This followed the release of a proposed regulation in December 2025 that was open for public comment until February 9, and culminated in a public hearing on February 26.

While CARB's approval largely confirmed previous proposals, the following are key highlights from the public hearing.

- Despite public requests to delay first-time reporting under SB-253, CARB retained the August 10 deadline, citing its December 2024 Enforcement Notice allowing good-faith efforts.
- The regulation extends the SB-261 exemption for insurance companies to SB-253. However, CARB directed its Executive Officer to assess reporting to the California Department of Insurance for consistency with SB-253, and to recommend further action if necessary.
- CARB confirmed the proposal for the key terms underpinning scoping – 'revenue' and 'doing business in California' – to leverage the California Revenue and Tax Code.
- Under the regulation, each company subject to the laws will pay a uniform annual fee, regardless of the number of reports submitted.

New in-depth guide

Read this Hot Topic for an executive summary of the climate laws, including AB-1305 (carbon offsets), and refer to our [in-depth guide](#) for further discussion and analysis.

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](#)
 - Proposed Regulation Order, [Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation](#)
- Companies with specified activities in California: [Voluntary carbon market disclosures](#) (AB-1305)

This Hot Topic often refers to a ‘company’ for understandability. However, the laws themselves use the following defined terms: ‘reporting entity’ in SB-253, ‘covered entity’ in SB-261, and ‘business entity’ and ‘entity’ in AB-1305.

Background

In October 2023, California passed the following laws.

- **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 in September 2024 and added to the California Health and Safety Code.

CARB approved the initial regulation underpinning the application of these laws on February 26, 2026. The next step is for the final rulemaking package to be developed, which will be submitted to the Office of Administrative Law for review and approval. The final regulation will be incorporated into the California Code of Regulations.

- **Carbon offset law.** AB-1305, the Voluntary carbon market disclosures Act, mandates disclosures about voluntary carbon offsets and emissions reduction claims.

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	

Under the approved regulation, the following definitions and exemptions drive the scoping of SB-253 and SB-261.

- ‘Total revenue’ is based on ‘gross receipts’ under the California Revenue and Taxation Code, comprising gross amounts realized on the:
 - sale or exchange of property;
 - performance of services; or
 - use of property or capital in a transaction that produces business income, in which the income, gain or loss is recognized under the Internal Revenue Code.
- ‘Doing business in California’ leverages the California Revenue and Taxation Code such that a company is considered to be doing business in California if it is actively engaging in any transaction for the purpose of financial gain within California and:
 - is organized or commercially domiciled in California; or
 - has California sales exceeding \$757,070 (amount updated annually).
- Exempted entities include non-profits and charitable organizations, and companies whose only business in California is the presence of teleworking employees. In addition, companies subject to regulation by the Department of Insurance in California or that are in the business of insurance in any other state are exempt – i.e. the SB-261 exemption extends to SB-253. Government entities are excluded from the statutes as written because they are not formed under ‘business entity’ laws.

CARB amended its resolution approving the regulation to direct the CARB Executive Officer to assess reporting to the California Department of Insurance for consistency with SB-253, and to recommend further action if necessary.

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).

Disclosures leverage existing frameworks

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

	SB-253 (GHG emissions)	SB-261 (climate risks)	AB-1305 (carbon offsets)
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 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. These concepts and the accounting under the GHG Protocol are explained in our Handbook, [GHG emissions reporting](#).

CARB published a draft template for reporting scopes 1 and 2 GHG emissions under SB-253. The draft template includes specific data fields for granular reporting on GHG emissions, including by source and gas, and includes the option to report other actions that reduce GHG emissions – e.g. investments in renewable electricity. The draft template may be used on a voluntary basis for 2026 reporting.

If the disclosures are made at the parent level, a subsidiary in scope of SB-253 need not make its own separate disclosures. FAQs published by CARB clarify that a non-US parent may submit a consolidated report that provides the required reporting on behalf of its in-scope US subsidiaries.

Climate risks

SB-261 requires companies to report climate-related financial risks under the 2017 recommendations of the TCFD or successor body, plus measures adopted to reduce and adapt to those risks. 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. The Act specifically refers to compliance with IFRS® Sustainability Disclosure Standards as an acceptable alternative.

CARB provided its climate-related financial risk disclosure checklist, which is to be used as a starting point for companies complying with SB-261. The disclosures are based on, but less extensive than, the TCFD’s 2017 recommendations and have the following four components.

- **Governance.** Structure for identifying, assessing and managing climate-related financial risks (and opportunities).
- **Strategy.** Actual and potential impacts of climate-related risks and opportunities on the company’s operations, strategy and financial planning.
- **Risk management.** How the company identifies, assesses and manages climate-related risks.
- **Metrics and targets.** Those used to assess and manage relevant climate-related risks and opportunities.

Opportunities are included in the report. GHG emissions can be excluded from the first report, and resilience disclosures need not include a formal qualitative scenario-based assessment. To the extent a company is not able to provide other disclosures, it discloses the reasons and its plans for future disclosures.

If the disclosures are made at the parent level, a subsidiary in scope of SB-261 need not make its own separate disclosures. FAQs published by CARB clarify that a non-US parent may submit a consolidated report that provides the required reporting on behalf of its in-scope US subsidiaries.

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, between 2027 and 2030, penalties will be assessed on scope 3 reporting only for non-filing.

In December 2024, CARB released a notice stating 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."

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

Scoping	Summary of disclosures
Companies marketing or selling voluntary carbon offsets in California	Details of the carbon offset project, accountability measures if the project is not completed or does not meet projections, relevant data and calculation methods to independently reproduce and verify the emissions reduction credits
Companies 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 the company selling the offset, offset project type, whether there is independent third-party verification
Companies 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.

SB-253 reporting date confirmed; SB-261 enforcement halted

On December 1, 2025, CARB issued an Enforcement Advisory to clarify that will not enforce the January 1, 2026, deadline for SB-261 reporting while an appeal is pending in the Ninth Circuit Court of Appeals. As a result, compliance is effectively voluntary for the time being.

To facilitate reporting – currently on a voluntary basis – CARB has opened a public docket for companies to upload a statement on their official letterhead and the URL of the report on their website. This information is publicly available.

	SB-253 (GHG emissions)	SB-261 (climate risks)	AB-1305 (carbon offsets)
Reporting dates:	<ul style="list-style-type: none"> Scopes 1, 2: August 10, 2026 (subsequent years TBD) Scope 3: 2027 (exact date TBD) 	On or before Jan 1, 2026 but enforcement halted	Jan 1, 2024
Reporting frequency:	Annual	Biennial	At least annually
Reporting location:	Digital reporting platform	Company website	Company website

In 2026 reporting under SB-253, companies will report using their 2025 fiscal-year data, except for companies with fiscal year-ends between January 1 and February 1, which will report using their 2026 fiscal-year data.

In setting future reporting dates under SB-253, CARB is required to consider both the typical period for receiving emissions data (e.g. from suppliers) and the capacity for independent assurance engagements to be performed (see [Assurance required](#)).

Acknowledging that regulations are being finalized at the same time companies are required to report, CARB will not seek to impose penalties for ‘good faith efforts’ (see [Penalties](#)).

Assurance required

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

In the first year of reporting under SB-253, CARB will exercise enforcement discretion relating to the assurance requirement. Companies will be able to report on data that was available or being collected at the date of CARB’s enforcement notice (December 5, 2024) regardless of whether that data is assured.

SB-253 instructs CARB to decide by January 1, 2027 whether assurance over scope 3 emissions will be required. If CARB decides that scope 3 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.

KPMG resources

To stay up to date on the California climate laws:

- bookmark our digital hub, [All about California’s climate laws](#), for breaking news delivered on a timely basis – including news from CARB’s ongoing workshops and litigation related to SB-253 and SB-261.
- read this Hot Topic, which is updated periodically, for an executive summary of the climate laws.
- refer to our newly issued [in-depth guide](#) on the climate laws for further discussion and analysis.

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

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