

Regulatory Alert

Regulatory Insights

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CA Climate Laws: GHG Emissions and Risk Reporting

KPMG Insight:

- **State Activity:** Anticipate other states to adapt/adopt
- **Legal Action:** Expect legal/litigation challenges
- **Move to Measure:** Companies must build measurement/reporting
- **Timing:** May change with final regulations

California becomes “first-in-the-nation” to adopt broad climate reporting laws that will require large businesses to report on greenhouse gas (GHG) emissions and climate-related financial risk. These laws join a suite of sustainability reporting relative to GHG emissions and climate-related financial risks and may shape climate reporting in other states and/or nationally.

The CA laws include:

- [Climate Corporate Data Accountability Act](#) (SB-253)
- [Greenhouse Gasses: Climate-Related Financial Risk](#) (SB-261)

SB-253 requires “reporting entities” to publicly disclose their GHG emissions on an annual basis. “Reporting entities” is defined to include i) a business (e.g., a

corporation, partnership, limited liability company, or other business entity) formed under the laws of CA, any other U.S. state, or the District of Columbia, or through an act of Congress, ii) with total annual revenues in excess of \$1 billion, and iii) that does business in California.

SB-261 requires “covered entities” to publicly disclose their climate-related financial risk and the measures adopted to reduce and adapt to those risks. “Covered entities” is defined in the same manner as “reporting entities” under SB-253 with the exception of a \$500 million annual revenue threshold.

****Update:** In June 2024, the CA governor’s office released proposed amendments to SB 253 and SB 261 that would change the relevant reporting year from 2026 to 2028. See discussion below.

Key features of the bills are summarized in the table below.

Features/Terms	SB-253	SB-261
Revenue Threshold	>\$1 billion annually	>\$500 million annually
Exclusions	None	Insurance companies
Disclosures	Scopes 1, 2, and 3 GHG emissions	Climate-related financial risks and measures adopted to reduce and adapt to such risks
Framework	Greenhouse Gas Protocol	Task Force on Climate-related Financial Disclosures (TCFD)
Effective Date	For Scopes 1 and 2: January 1, 2026 (FY 2025 data) For Scope 3: January 1, 2027 (FY 2026 data) ¹	On or before January 1, 2026 (FY 2025 data)
**Update Effective Date (proposed)	For Scopes 1 and 2: January 1, 2028 (FY 2027 data) For Scope 3: January 1, 2029 (FY 2028 data) ¹	On or before January 1, 2028 (FY 2027 data)
Frequency	Annual	Biennial
Location	Digital reporting platform	Company website
Assurance Requirements	For Scopes 1 and 2: Limited assurance beginning 2026 and reasonable assurance beginning 2030 For Scope 3: Limited assurance may be required beginning 2032	None
Update Assurance Requirements (proposed)	For Scopes 1 and 2: Limited assurance beginning 2028 and reasonable assurance beginning 2032 For Scope 3: Limited assurance may be required beginning 2032	None
Assurance Provider	Independent third party	Not applicable
Administrative Penalties	Non-filing, late fee, or other failure to meet requirements ²	Failure to make report publicly available or publishing an inadequate or insufficient report
Penalty Limit	\$500,000 per year	\$50,000 per year

1. Scope 3 disclosures required no later than 180 days after disclosure of Scopes 1 and 2.

2. No Administrative penalty for misstatements in Scope 3 disclosures made with a reasonable basis and disclosed in good faith.

Note: In signing the bills, the CA Governor noted some concerns that would be addressed by the state Administration and the legislature. These included:

- For [SB-253](#): questions as to whether i) the implementation deadlines are “likely infeasible,” and ii) the reporting protocol could result in inconsistent reporting across businesses subject to the measure.
- For [SB-261](#): a concern that implementation deadlines do not provide the California Air

Resources Board (CARB) with sufficient time to implement requirements.

****Update:** The CA governor's office released [proposed amendments](#) to SB 253 and SB 261. The proposed amendments would include the following changes:

SB-253:

- Shifting the effective date for Scope 1 and 2 emissions reporting from January 1, 2026 to January 1, 2028 and Scope 3 emissions reporting from January 1, 2027 to January 1, 2029. The two-year extension would also apply to CARB, which would be required to adopt implementing regulations by January 1, 2027.
- Requiring reporting entities to publicly disclose Scope 3 emissions on a schedule specified by the

state board instead of 180 days after publicly disclosing Scope 1 and 2 emissions.

- Adding a new provision that would allow consolidated GHG emissions reporting at the parent company level.

SB-261

- Shifting the effective date of reporting from January 1, 2026 to January 1, 2028.

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