CARB's New Climate Disclosure Reporting Requirements

CARB CORPORATE GREENHOUSE GAS REPORTING AND CLIMATE RELATED FINANCIAL RISK DISCLOSURE PROGRAMS (SB 253, SB 261, SB 219)

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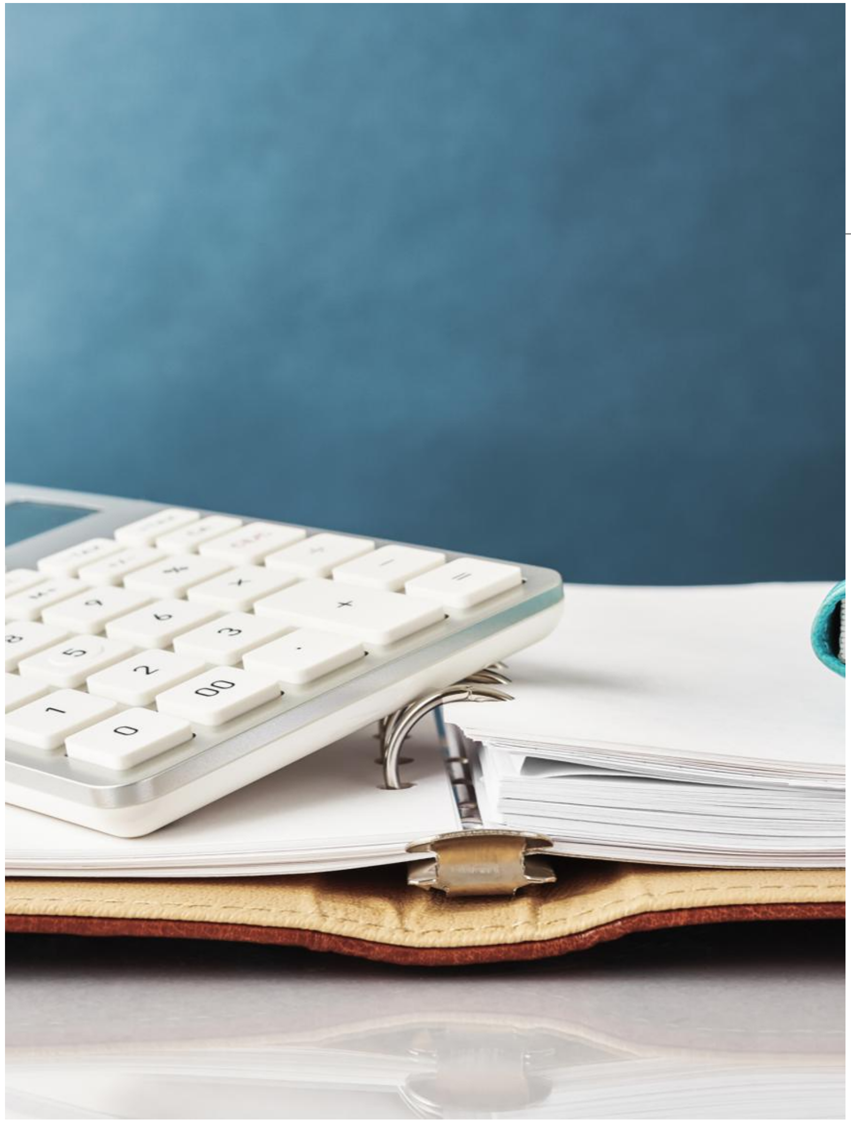

Climate Accountability and Emissions Reporting (SB 253)

“Reporting entities” include any partnership, corporation, limited liability company, or other business entity formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States with total annual revenues in excess of one billion United States dollars ($1,000,000,000) and that does business in California*. The entity’s revenue amount shall be determined by the lesser of the entity’s two previous fiscal years of revenue.

* Refers to subsections 23101(b)(1) or 23101(b)(2) of the California Revenue and Taxation Code

Climate Risk Reporting (SB 261)

“Covered entities” for the purpose of this regulation includes any corporation, partnership, limited liability company, or other business entity formed under the laws of the state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States with total annual revenues in excess of five hundred million United States dollars ($500,000,000) and that does business in California.* The entity’s revenue amount shall be determined by the lesser of the entity’s two previous fiscal years of revenue.

* Refers to subsections 23101(b)(1) or 23101(b)(2) of the California Revenue and Taxation Code

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Exemptions

Entities do not include:

- Non-profit or charitable organizations that are tax-exempt under the Internal Revenue Code
- A business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state.
- Federal, State and local government entities, and companies that are majority owned by government entities (>50.00%)
- A business entity whose only activity within California consists of wholesale electricity transactions
- A business entity whose only business in California is employee compensation or payroll expenses, including teleworking employees.

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Annual Fees

- By September 10 of each year, the Executive Officer shall provide a written fee determination notice.
- Companies with more than $1 billion in annual revenue will pay the climate accountability and emissions reporting (SB 253) fees <u>and</u> the climate risk reporting program (SB 261) fees.
- In August 2025 CARB estimated the annual fee for SB 253 reporting to be $3,106 per entity and for SB 261 to be $1,403 per entity, annually adjusted for inflation.
- Subsidiaries filing under parent company reports would still pay a separate entity fee.

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Reporting Timeframes

SB 253 ($1 BILLION THRESHOLD)

Scope 1 and 2 emissions reporting for the applicable preceding fiscal year on or before August 10, 2026, and annual reporting thereafter.

- CARB extended to November 10, 2026

Scope 3 emissions reporting begins in 2027 (pending current rulemaking)

SB 261 ($500 MILLION THRESHOLD)

January 1, 2026 (per statute) for Scope 1 & 2

However, on November 18, 2025, the Ninth Circuit Court of Appeals issued an order in Chamber of Commerce v. Sanchez, Case No. 25-5327 (9th Cir. 2025), granting an injunction against the enforcement of SB 261 during the pendency of appellate proceedings in that matter. In light of the Court's order, CARB <u>will not enforce</u> Health and Safety Code section 38533 against covered entities for failing to post and submit reports by the January 1, 2026, statutory deadline.

Climate Risk Financial Reporting (SB 261)

- CARB has provided minimum requirement guidance for initial reporting related to the January 1, 2026, deadline. Covered entities may use one of several frameworks to meet disclosure requirements, including:
  - Task Force on Climate Related Disclosures Final Report of Recommendations (June 2017 published by the TCFD or any successor).
  - International Financial Reporting Standards Foundation (IFRS) S2 Climate-Related Disclosure Standards
  - A report developed in accordance with any regulated exchange, national government, or other governmental entity, including a law or regulation issued by the United States government

- Four overriding principles underpin climate risk disclosures, including:
  - Governance
  - Strategy
  - Risk management
  - Metrics and targets

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Climate Accountability and Emissions Reporting (SB 253)

Draft reporting templates for Scope 1 and 2 reporting were posted in October 2025

Stationary Combustion (Scope 1)	Emissions from combustion of fuels in stationary sources for generation of electricity, heat, or steam, e.g., boilers, furnaces, turbines.
Mobile Combustion (Scope 1)	Emissions from the combustion of fuels in company owned/controlled mobile combustion sources, e.g., trucks, ships, airplanes, and cars.
Process Emissions (Scope 1)	Emissions from manufacture or processing of chemicals and materials, e.g., cement, aluminum, and waste processing.
Fugitive Emissions (Scope 1)	Emissions from intentional or unintentional releases, e.g., equipment leaks from joints, seals, or packing; methane emissions from coal mines and venting.
Location-based Method (Scope 2)	This method reflects the average emissions intensity of grids on which energy consumption occurs (using grid-average emission factor data).
Market-based Method (Scope 2)	This method reflects emissions from electricity that companies have purposefully chosen (using emission factor derived from contractual instruments).
Biogenic Emissions	Emissions from combustion of biogenic materials, including biomass, biofuels, and biogas.

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Proposed Scope 3 Categories

Upstream Scope 3 Categories
1 Purchased Goods and services
2 Capital goods
3 Fuel and energy-related activities (not included in scope 1 or scope 2)
4 Upstream transportation and distribution
5 Waste generated in operations
6 Business travel
7 Employee Commuting
8 Leased assets

Downstream Scope 3 Categories
9 Downstream transportation and distribution
10 Processing of sold products
11 Use of sold products
12 End of Life treatment of sold products
13 Leased assets
14 Franchises
15 Investments

SB 253 AND SB 261REGULATIONS AND LITIGATION UPDATE

REGULATORY UPDATE

CARB split their SB 253/261 rulemaking into two phases:

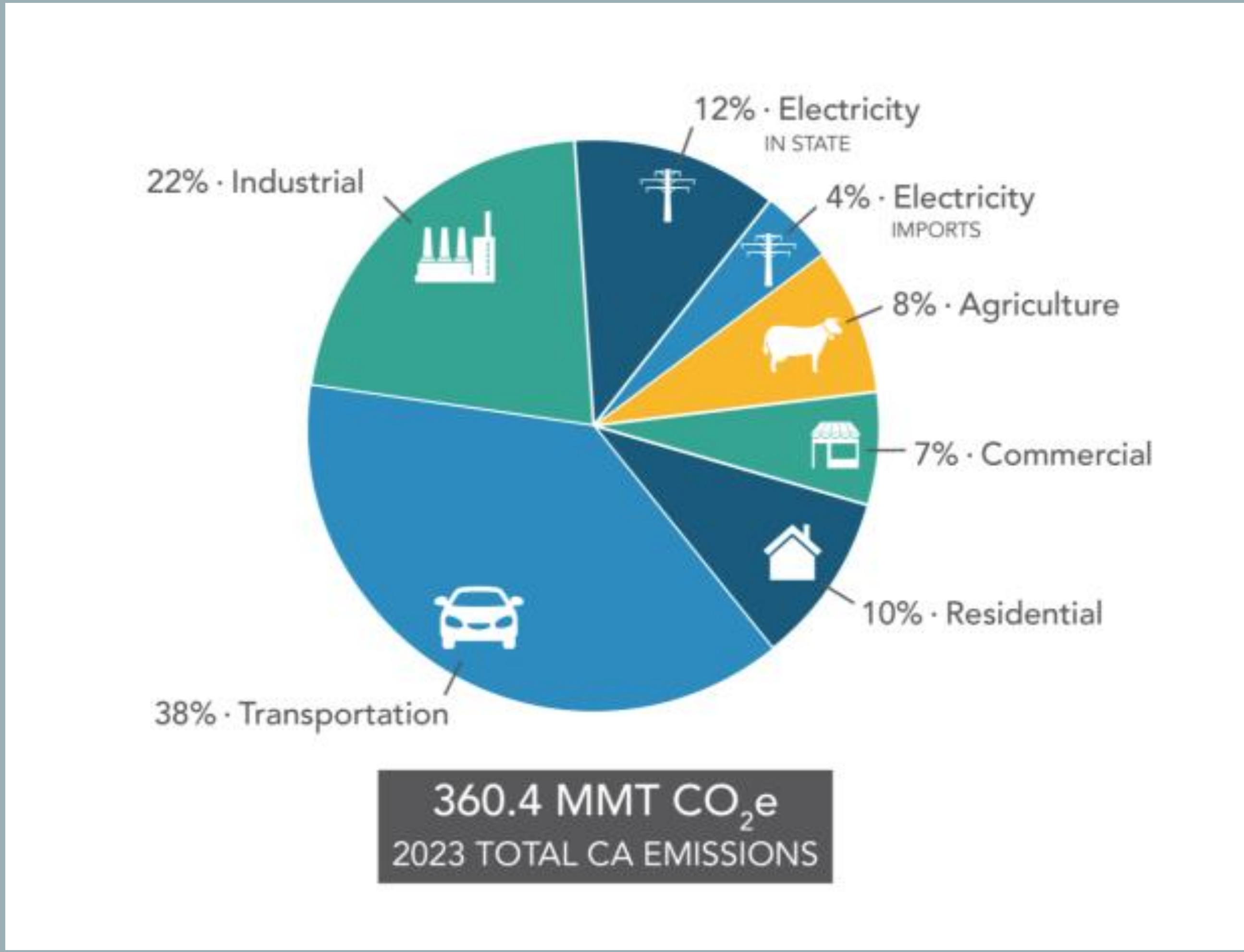
Phase 1 – Scope 1 and Scope 2 Emissions

- Defined the universe of who must comply
- Established an August 10th deadline for first year reporting
    - CARB extended to November 10, 2026
- Set up fee and enforcement authority
- Approved by CARB at their February board meeting

REGULATORY UPDATE CONTINUED

Phase II – Scope 3 and Assurance

- This phase of rulemaking has still not begun
- CARB held a pre-rulemaking workshop in late March, posing questions on approaches to organizational boundary setting, reporting templates, accounting methods, emissions factors, and assurance standards



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LITIGATION UPDATE

In 2025, the district court's rejected of a motion for preliminary injunction on SB 253 and SB 261 to the 9th Circuit.

In December 2025, the 9th Circuit issues an order temporarily enjoining SB 261 (likely due to the January 1, 2026 compliance deadline).

A 9th circuit three-judge panel heard the appeal on January 9, 2026. We are still waiting for a decision.

Due to the Court's order, CARB did not enforce Health and Safety Code section 38533 against covered entities for failing to post and submit reports by the January 1, 2026, statutory deadline. Entities that chose to report voluntarily were provided a docket to do so.

Questions & Discussion

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