

Industry Alert

California Law, GHG Emissions, and Climate Risk Disclosure (SB-253 & SB-261, Amended by SB-219)

Existing Legislation: SB-253: The Climate Corporate Data Accountability Act (CCDAA) & SB-261: The Climate-Related Financial Risk Act (CRFRA)

In September 2024, California Governor Gavin Newsome signed SB-219 which establishes moderate changes to two existing climate disclosure bills passed into law in October 2023.¹ Despite the amendment, SB-253 and SB-261 continue to represent a significant milestone in the ongoing development of domestic climate disclosure.

Over the next several years, the enacted statutes (SB-253 & SB-261) will begin impacting the climate disclosure requirements for companies that do business in California, instating obligations surrounding Scope 1, 2, and 3 greenhouse gas (GHG) emissions reporting and climate-related financial risk information. These laws will likely affect roughly 10K companies within the US.

What is SB-253, the CCDAA?²

With a maximum penalty of \$500K, the CCDAA represents a tangible financial risk for many large firms in the US, one that will call for careful planning and coordination amongst the affected stakeholders. According to the law, all emissions measurement and reporting are to be conducted in accordance with the Greenhouse Gas Protocol standards and guidance.

Scope 1 & 2 Emissions: Starting in 2026 (for FY25 data), corporations and other entities that do business in California with total annual revenues over \$1 billion will be required annually to measure, report on, and publicly disclose Scope 1 and 2 GHG emissions for the prior fiscal year. For these emissions, reporting companies must seek out third-party limited assurance to verify their calculations. Beginning in 2030, the assurance requirement will transition from limited to reasonable, heightening the level and scrutiny of review conducted by the assurer.

Scope 3 Emissions: The same companies will also be required to measure and report Scope 3 GHG emissions in 2026 (for FY25 data). However, public disclosure will not be required until 2027 (for FY26 data), when it will be published according to a schedule set forth by the California Air Resources Board (CARB).⁴ Scope 3 emissions will not immediately require third-party assurance; however, limited assurance is expected to be required as of 2030, assuming no changes are made during the board's interim 2027 feasibility review.

What is SB-261, the CRFRA?³

Climate-Related Financial Risk: Separate from SB-253, SB-261 applies to companies that do business in California and have total annual revenues over \$500MM. With the first due date

for reporting being on or before January 1, 2026 (reporting on FY25 data). Firms will be required to prepare a climate-related financial risk report disclosing potential jeopardy associated with the changing climate, as well as the measures that the company is taking to mitigate that risk. After the first year, firms will need to refresh their report on a biennial basis.

Reporting Guidelines: When publishing the climate-related financial risk report, reporting companies will be required to make the document publicly available on their websites. In addition, all risk reports will need to be compliant with the Task Force on Climate-Related Financial Disclosures (TCFD) standard. One avenue a company can take to assess climate-related risk is conducting a climate scenario analysis, in which various future pathways are analyzed to examine which impact areas are most relevant to a firm's operations.

What changes will come with SB-219?

SB-219 amends SB-253 and SB-261, largely affecting the authority of CARB on the timing and implementation of the relevant bills. SB-219 provides CARB a 6-month extension from the original deadline of January 2025 to develop the reporting rules and architecture, an allowance for consolidated reporting, and a flexible Scope 3 timeline. An overview of the changes can be seen below.

Reporting Readiness

Apex can help you prepare for this coming regulation. Our experienced, CARB-certified team can help companies either prepare for disclosure or provide third-party verification in accordance with SB-219.

While larger firms that currently do business in California will be primarily impacted by this guidance, Scope 3 reporting requirements will ripple through the value chain, pushing reporting obligation onto smaller companies. Diverse stakeholder groups will expect all organizations to follow new best practices.

Legislation Overview

Senate Bill 253 (CCDAA)		
Compliance Category	Original Rule (253)	SB-219 Amendment Change
Scope 1 & 2 Emissions	Public disclosure beginning in 2026 with limited assurance, and annually thereafter. Reasonable assurance beginning in 2030.	No Change
Scope 3 Emissions	Public disclosure beginning in 2027, and annually thereafter. Must be disclosed no later than 180 days after public disclosure of Scopes 1 and 2. Limited assurance beginning in 2030, pending feasibility review.	Public disclosure beginning in 2027, and annually thereafter. Must be disclosed on a schedule to be specified by CARB. Limited assurance beginning in 2030, pending feasibility review.
Payment of annual fee by reporting company	Upon date of filing disclosure	Specific deadline removed

Senate Bill 261 (CRFRA)		
Compliance Category	Original Rule (261)	SB-219 Amendment Change
Publication of the climate-related financial risk report on the reporting entity's website	On or before January 1, 2026 (due date of January 1), and biennially thereafter	No Change
Payment of fee by reporting company	On or before January 1, 2026, and biennially thereafter, upon filing its disclosure	On or before January 1, 2026, and biennially thereafter

A few areas to look at now are outlined below:

Gap Assessment and Duplicate Reporting: Uncover where your organization stands today; perform internal assessments or hire a third party to help evaluate your existing program against changing standards; understand the relationships between multiple reporting obligations and how they can be leveraged to improve reporting efficiency.

Climate Scenario Analysis/Risk Assessment: As part of the California SB-261 regulation, large companies are required to report on climate-related financial risks, which aligns with the recommendations from the TCFD. Scenario analysis is a key component of these recommendations, helping companies understand and disclose how different climate scenarios could impact their business.

Inventory Development: Inventory current data available to the decision makers. Benchmark the last fiscal year to create a baseline. Over time, this data can then inform improvements to the ESG program and provide the performance data required for companies where climate is materially relevant.

Relevant Apex Advisory Offerings

- Policy drafting
- Strategic planning (road maps)
- Disclosure drafting (voluntary and regulatory; GRI, SASB, TCFD, IFRS, CSRD aligned)
- Climate scenario analysis and risk assessment
- Materiality assessments (single, double, CSRD-aligned)
- GHG Inventories (Scope 1, 2, and 3)
- Gap assessments
- Education/training

Relevant Apex Verification Offerings

- Third-party GHG verification and assurance
- Assessment of adherence to frameworks such as the GHG protocol, ISO 14064-3, CARB regulations, and more

Sources

- 1 [SB-219 Signing Announcement](#)
- 2 [SB-253 Legislation](#)
- 3 [SB-261 Legislation](#)
- 4 [SB-219 Legislation](#)
- 5 [TCFD Overview](#)
- 6 [Sidley Law, "California Places Climate Disclosures Back at the Forefront"](#)

www.apexc.com

info@apexc.com • (800) 733-2739