

CARB Releases Draft Guidance on SB 261

September 5, 2025

On September 2, 2025, the California Air Resources Board (“CARB”) released draft guidance on the Climate-Related Financial Risk Act (SB 261, codified in Health and Safety Code Section 38533), which requires companies “doing business in California” with over \$500 million in revenue to publicly disclose their climate-related financial risks in a biennial report, with the first reports due January 1, 2026.

The draft guidance follows CARB’s August 21 public workshop. For additional background on the public workshop, please see our [Debevoise Update](#) on the topic.

Draft Checklist. The draft guidance provides a checklist to assist in preparing the initial report. CARB notes that the checklist does not have the force of law and does not impose requirements beyond the statute.

As a first step, a reporting entity must select a reporting framework to report climate-related risks and opportunities to reduce and adapt to those risks. The draft checklist outlines several frameworks that may be used to meet disclosure requirements under SB 261, including the Final Report of Recommendations of Task Force on Climate-Related Financial Disclosures (“TCFD”), IFRS Disclosure Standards or reports developed in accordance with any regulated exchange, national government, or other governmental entity. Each report should state (1) the reporting framework being applied, (2) which recommendations and disclosures have been complied with and which have not and (3) the rationale behind these choices and any plans for future disclosures.

The draft checklist outlines CARB’s minimum requirements for disclosure under four categories, which are organized according to the four TCFD pillars: (1) governance; (2) strategy; (3) risk management; and (4) metrics and targets. CARB indicated that disclosures under each section will vary depending on the company, the discretion of the preparers, and the chosen reporting framework.

The draft checklist is intended as a starting point for reporting entities. CARB emphasized that reports under SB 261 should meet the needs of the users of the reports and that reporting entities should focus on disclosing climate-related financial risks, and

measures adopted to reduce and adapt to climate-related financial risk, that are material to their operations and financial outlook, using the lens of decision-usefulness for investors and other stakeholders.

Additional Clarifications. CARB also clarified some questions raised during CARB's public engagement process.

- **Calendar Year / Fiscal Year Distinction.** Section 38533 does not specify the use of calendar or fiscal year data. The FAQ published by CARB in July notes that covered entities should use the most recent/best available data for their first report.
- **Parent Company Reporting.** If a parent company is submitting a report on behalf of its subsidiaries, the subsidiaries do not need to break out their own information separately. Under the statute, climate-related financial risk reports may be consolidated at the parent company level.
- **Compliance with Section 38533.** All climate-related financial risk reports must meet the requirements of Section 38533 and then be posted on the reporting entity's own website, as required by that section. Reporting entities must then post the location of the public link on the public docket to be established by CARB (the public docket is discussed in this [Debevoise Update](#)).

LINKS:

[CARB Draft Guidance](#) (published September 2, 2025)

[CARB FAQs and Fact Sheet](#) (published July 9, 2025)



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