CARB Clarifies Initial SB 253 Regulations

August 7, 2026

On July 27, 2026, the California Air Resources Board ("CARB") issued a Notice of Public Availability of Modified Text (the "Notice"), proposing limited revisions to the initial regulations implementing California's Corporate Greenhouse Gas Reporting Program under the Climate Corporate Data Accountability Act ("SB 253"). The initial regulations, and proposed revisions, focus principally on the first Scope 1 and Scope 2 greenhouse gas emissions reports due in 2026.

CARB withdrew the initial regulations from review by the California Office of Administrative Law ("OAL") to make limited clarifications before resubmission. The proposed revisions, which remain subject to a 15-day comment period, include the following:

- **First reporting deadline**. Consistent with CARB's June announcement, the Notice would move the deadline for first Scope 1 and Scope 2 emissions reports from August 10 to November 10, 2026. The Notice also confirms that Scope 3 emissions reporting will not be required in 2026; it is expected to begin in 2027 on a schedule to be established by CARB.

- **Applicability determined entity by entity**. The Notice would clarify that the "doing business in California" test and the $1 billion revenue threshold are assessed separately for every legal entity. An entity therefore would not become subject to SB 253 solely because an affiliate or portfolio company does business in California, and revenues generally would not be aggregated across affiliated entities when determining whether a particular entity exceeds the $1 billion threshold.

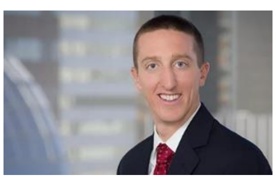
- **Definition of "subsidiary" and consolidated reporting.** The Notice would define "subsidiary" by reference to specified direct corporate association provisions in section 95833 of Title 17 of the California Code of Regulations (California's Cap-and-Invest Program). The definition is relevant to whether a parent may report on behalf of a subsidiary.

- **Intercompany revenue**. The Notice would exclude from an entity's revenue intercompany transactions with other entities in the same combined reporting group, consistent with California corporate tax rules. This exclusion should prevent intra-group transactions from causing an entity to exceed the $1 billion threshold.

- **First-year reporting flexibility and enforcement**. For the report due November 10, 2026, the Notice would permit an entity either to submit Scope 1 and Scope 2 information that it possessed or was collecting as of December 5, 2024, or, if it had no such information and was not collecting it at that time, to submit a statement to that effect on company letterhead. These alternatives implement CARB's previously announced first-year enforcement approach, confirming that it will exercise enforcement discretion where reporting entities demonstrate "good faith efforts" to comply with the law.

- **Recordkeeping**. The Notice would require each reporting or covered entity to retain California tax records demonstrating that it satisfies the revenue and "doing business in California" tests. Companies should preserve the records supporting both conclusions in anticipation of possible CARB requests.

The 15-day comment period ends August 11, 2026. After considering comments, CARB is expected to finalize the revisions and resubmit the rulemaking package to OAL. Because the changes remain proposed, companies should monitor the final text while continuing preparations for the November 10 reporting deadline.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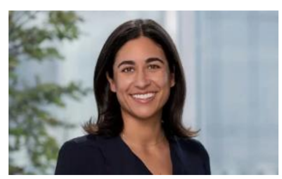
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