WINSTON & STRAWN LLP

BLOG

California Advances Climate Accountability Package: What Companies Need to Know

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In 2023, California enacted two major laws, Senate Bill 253 (SB 253) and Senate Bill 261 (SB 261), that will require public and private companies to change how they track, report, and manage climate-related risks and greenhouse gas (GHG) emissions. These laws, collectively known as the Climate Accountability Package (the CAP), impose new climate disclosure requirements that go beyond current federal standards.

The following analysis examines the main components of the CAP, explains the practical implications for businesses, and offers recommendations for navigating these regulatory changes.

SB 253: THE CLIMATE DATA ACCOUNTABILITY ACT

- **Entities Subject to Reporting Obligations:** Any public or private company doing business in California with total annual revenues of $1 billion or more.
- **Reporting Requirements:** Annual public disclosure of Scope 1 (direct) and Scope 2 (indirect, from purchased energy) GHG emissions beginning on January 1, 2026, based on 2025 data. Scope 3 (value chain) emissions disclosures will follow in 2027.
- **Disclosure Mechanism:** Disclosures must be filed with a California-contracted emissions reporting organization, a nonprofit entity contracted by the California Air Resources Board (“CARB”) to manage the reporting program, and must also be made publicly available.

SB 261: CLIMATE-RELATED FINANCIAL RISK DISCLOSURE

- **Entities Subject to Reporting Obligations:** Any public or private company doing business in California with total annual revenues of $500 million or more.
- **Reporting Requirements:** Biennial public disclosure of climate-related financial risks and the measures adopted to mitigate those risks, starting January 1, 2026.
- **Disclosure Mechanism:** Scope 1, 2, and 3 disclosures must be filed with the CARB and posted on the company’s website.

SB 219: AMENDMENTS TO SB 253 AND SB 261

In response to industry concerns about feasibility, timing, and alignment with federal rules, the California legislature passed Senate Bill 219 (SB 219) in 2024. Although some had hoped for significant delays or narrowing of the requirements under the CAP, SB 219 largely preserves the original framework.

- **No Extension of Reporting Deadlines:** Initial SB 253 disclosures (Scope 1 and 2) are still due in 2026, with Scope 3 following in 2027. Initial SB 261 disclosures remain due by January 1, 2026.
- **Flexibility in Scope 3 Reporting Timeline:** CARB was granted the authority to establish a specific timeline for Scope 3 disclosures, replacing the previous requirement to disclose within 180 days following Scope 1 and 2 disclosures.
- **Parent Company Reporting Relief:** Subsidiaries may rely on consolidated parent company disclosures for both SB 253 and SB 261, reducing duplicative reporting burdens.
- **Additional Time for Rulemaking:** CARB has been granted until July 1, 2025, to issue final regulations under SB 253, but this does not delay the compliance deadlines for companies. While CARB has not yet finalized these regulations, stating that they are expected to be issued by the end of the year, the compliance deadlines remain in effect.

IMPLICATIONS FOR COMPANIES

1. **Applicability:** Unlike the now-withdrawn final rules from the SEC, which would have required certain climate-related disclosures but were ultimately struck down and abandoned, California's laws require Scope 3 emissions reporting for the entire value chain, meaning companies must account for greenhouse gas emissions not only from their own operations but also from all activities that occur both before and after their direct involvement. This applies regardless of materiality, significantly increasing compliance obligations.
2. **Coverage:** Both public and private companies that meet the revenue thresholds must comply, requiring many private firms to establish new reporting systems and controls.
3. **Overlap:** Companies may encounter overlapping or conflicting requirements as federal and state climate disclosure regimes evolve. This regulatory uncertainty underscores the need for careful, forward-looking compliance strategies.
4. **Risks:** Noncompliance can lead to enforcement actions, penalties, and reputational damage due to heightened scrutiny of public disclosures.

COMPLIANCE STEPS

- Assess whether your company exceeds the thresholds for required disclosure, and review current emissions data processes.
- Involve legal, finance, sustainability, and supply chain teams early in the process of evaluating disclosure obligations, designing data collection systems, and developing compliance strategies.
- Build systems to accurately track all emissions, and work with suppliers for reliable data.
- Stay updated on regulatory changes, and adjust your approach as needed.
- Coordinate with any parent companies to streamline reporting.
- Ensure that disclosures are accurate and ready for public stakeholder review.

The CAP represents a major transition in climate-related disclosure requirements, with aggressive timelines and broad applicability. Companies subject to these laws should begin preparing now to ensure compliance, minimize risk, and position themselves for success in a rapidly evolving regulatory environment. While a number of business groups, including the U.S. Chamber of Commerce, are challenging the CAP, the deadlines currently remain in effect. In February 2025, the U.S. District Court for the Central District of California dismissed claims that the laws overstep federal authority or burden interstate commerce, but it allowed a First Amendment challenge to move forward. The case remains ongoing, with the plaintiffs granted an opportunity to amend certain claims, and no final judgment has been entered.

Winston's Capital Markets & Securities Law Watch will continue to monitor developments related to the CAP and provide readers with timely updates as new information becomes available.

For more information about the CAP, or if you have any questions, please contact the authors of this blog post or your regular Winston contacts.

Ashley Tavarez, Summer Associate, also contributed to this blog.

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