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# California Climate Disclosure Laws Survive Preliminary Injunction on First Amendment Challenge: Reporting Obligations Swiftly Approaching

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On August 13, 2025, the U.S. District Court for the Central District of California denied a motion for preliminary injunction filed by a coalition of business groups seeking to halt implementation of California's corporate climate disclosure laws—SB 253 and SB 261. Senate Bill 253 (SB 253 )[1] requires entities that do business in California and whose total annual revenue exceeds $1 billion to disclose Scope 1 and 2 greenhouse gas (GHG) emissions beginning in 2026 (covering 2025 data), and Scope 3 emissions beginning in 2027 (covering 2026 data). Senate Bill 261 (SB 261),[2] passed as part of the same Climate Accountability legislative package, requires entities that do business in California and whose total annual revenue exceeds $500 million to publicly disclose the business's climate-related financial risks and measures taken to reduce or adapt to that risk online every two years, beginning in 2026.[3]

Plaintiffs—led by the U.S. Chamber of Commerce and joined by several other business associations—sued California Air Resources Board officials in January 2024, alleging that SB 253 and SB 261 violate their First Amendment right to free speech.[4] Plaintiffs argue that the laws "compel companies to publicly express a speculative, noncommercial, controversial, and politically-charged message that they otherwise would not express." In February 2024, plaintiffs moved for a preliminary injunction to block enforcement of both laws while litigation proceeds. The court denied plaintiffs' motion. It held that plaintiffs failed to show their challenge—that SB 253 lacks a reasonable relationship to California's interest in providing reliable climate-related information to investors, and that SB 261 does not "directly advance"

that interest in a sufficiently narrow way—was likely to succeed. The court reasoned that "investors demand a premium from stocks with carbon risks" and that investors, like California Public Employees Retirement System (CalPERS), historically have relied on Scope 1 and 2 emissions disclosures, along with climate-related financial risks, to inform investment decisions. While plaintiffs' legal challenge to the laws will now proceed to more fulsome consideration of the issues, the decision signals judicial support for California's authority to mandate climate disclosures and unlikely to be fully decided before initial reports are due on January 1, 2026. With obligations for reporting swiftly approaching, companies subject to SB 253 and SB 261 should be taking steps now, including as discussed in this recent Akin alert [5] to prepare for emissions and climate-related financial risk reporting.

Akin will continue to monitor developments in climate disclosure regulation. We regularly advise clients on compliance strategies and reporting obligations under state, federal, and international frameworks.

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1 Codified at Health and Safety Code § 38532.

2 Codified at Health and Safety Code § 38533.

3 For more details about SB 253 and SB 261, read Akin's client alert: California Corporate Data Accountability and Climate-Related Financial Risk Act.

4 Plaintiffs originally alleged that the laws violated the Supremacy Clause and Constitutional limits on extraterritorial regulation (i.e., the dormant Commerce Clause), too, but the court dismissed those claims in February 2025.

5 https://www.akingump.com/en/insights/alerts/carb-publishes-faqs-more-questions-than-answers.

## Categories

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