

Ninth Circuit Enjoins Enforcement of California Climate Disclosure Law

November 25, 2025

On November 18, 2025, the Ninth Circuit Court of Appeals temporarily enjoined enforcement of California's Climate-Related Financial Risk Act, Senate Bill 261 (SB 261) just as companies are preparing to meet the law's first disclosure deadline on January 1, 2026. SB 261, which was challenged in court by the United States Chamber of Commerce (the Chamber) and other business groups, requires that certain United States-based entities with annual revenues over \$500 million doing business in California publicly disclose their climate-related financial risks and mitigation measures.

Overview

A coalition led by the Chamber challenged the validity of SB 261 and the related Senate Bill 253 (SB 253) in court and sought an injunction to pause implementation of the laws. The Chamber's lawsuit alleges that the laws violate the First Amendment and are federally preempted. Specifically, the Chamber argues that the primary effect of the climate disclosure laws is to compel speech, even for companies that are not open to investors and do not advertise based on climate change or greenhouse gas emissions. The United States District Court for the Central District of California denied the Chamber's motion for an injunction in August 2025. On appeal, the Ninth Circuit granted the request and temporarily enjoined enforcement of SB 261 without issuing an opinion. Oral arguments are currently scheduled for January 9, 2026, but the Court has the ability to act before that date.

Notably, the Ninth Circuit declined to enjoin enforcement of the related Senate Bill 253, which requires more robust climate-related reporting by larger United States-based companies that have over \$1 billion in annual revenues and do business in California. Compliance with SB 253 is required beginning in the summer of 2026.

SB 261 was signed into law in October 2023, and the California Air Resources Board (CARB) was tasked with developing implementing regulations. In September 2025, CARB issued a preliminary list of entities subject to the disclosure requirements and a draft guidance checklist. CARB, however, has stated that it will not issue any regulations until the first quarter of 2026 - after the initial disclosure deadline for SB 261.

As of this publication, CARB has not issued a public statement on the effect of the Ninth Circuit ruling on implementation of SB 261.

For More Information

We are available at any time to answer questions, discuss scenarios, and provide guidance. If you would like further information concerning the matters discussed in this article, please contact Kristin Parker or the Chapman attorney with whom you regularly work.

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