

To the Point

SEC proposes rescinding climate-related disclosure rules

The proposal would rescind the SEC's 2024 climate disclosure rules in their entirety.

What you need to know

- ▶ The SEC proposed fully rescinding its 2024 climate-related disclosure rules, which mandate extensive disclosures about greenhouse gas emissions, climate risks and related impacts on financial statements in registration statements and annual reports.
- ▶ The SEC said the rules exceeded its statutory authority and were inconsistent with its traditional materiality-based disclosure framework. The SEC also noted the rules would impose significant costs that are not justified by their benefits to investors and would not facilitate capital formation.
- ▶ Comments are due 60 days after publication in the Federal Register.

Overview

The Securities and Exchange Commission (SEC or Commission) **proposed** rescinding in full its climate-related disclosure rules¹ adopted in 2024 (the 2024 climate disclosure rules), which mandate detailed disclosures about greenhouse gas (GHG) emissions, climate risks and related impacts on financial statements in registration statements and annual reports.

After the SEC adopted the 2024 climate disclosure rules, they faced legal challenges, and the Commission issued an order to stay their effectiveness. As a result, the rules never went into effect and continue to remain stayed.

Key considerations

The SEC proposed to fully rescind the 2024 climate disclosure rules, saying they exceed its legal authority. The SEC noted in its proposing release that even if the Commission had the authority to adopt the rules, they should be rescinded because they (1) are unnecessary and do not align with a registrant-specific, materiality-based approach to disclosure, (2) go beyond the policy concerns of the federal securities laws, (3) impose substantial costs that outweigh the benefits they may provide to investors and (4) conflict with the Commission's goals of facilitating capital formation and promoting public company status.

The 2024 climate disclosure rules mandate disclosure of climate-related risks, oversight of those risks and the actual and potential impact of the risks, as well as climate-related targets and goals and Scope 1 and Scope 2 GHG emissions, in annual reports and registration statements. Additionally, the rules mandate disclosures of certain effects of severe weather events and other natural conditions and amounts related to carbon offsets and renewable energy credits or certificates in audited financial statements.

If the 2024 climate disclosure rules are rescinded, the SEC said registrants would continue to apply existing Commission disclosure requirements. The proposing release refers to the [SEC's 2010 climate change guidance](#) under which companies may be required to make climate change disclosures under Regulation S-K in the description of the business (Item 101), discussion of legal proceedings (Item 103), risk factor disclosures (Item 105) and/or management's discussion and analysis (MD&A) (Item 303), depending on the circumstances.

In addition, the SEC said that the liability provisions of the federal securities laws, and Securities Act Rule 408 and Exchange Act Rule 12b-20, serve to protect investors from material misleading or incomplete disclosure about climate matters. As a result, registrants must continue to evaluate whether climate-related information is material and disclose it when required under existing rules and guidance.²

The Commission is seeking stakeholder input on a variety of questions, including whether the 2024 climate disclosure rules should be rescinded in their entirety or retain certain aspects, whether other alternatives should be considered and whether the existing requirements result in adequate disclosure about climate-related matters when material to the registrant (including whether the SEC should revise its 2010 climate change guidance).

How we see it

The SEC recently proposed amendments related to registered offering reform, the filer status framework and optional semiannual interim reporting. These initiatives, along with the proposed rescission of the 2024 climate disclosure rules, aim to support the SEC's objective of facilitating capital formation in the public markets and would significantly reshape the regulatory environment for affected companies.

Endnotes:

¹ SEC final rule, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*.

² SEC proposing release, *Rescission of Climate-Related Disclosure Rules*, pages 48-49.

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