

SEC PROPOSES TO RESCIND CLIMATE DISCLOSURE RULES

Date: 7 July 2026

US Policy and Regulatory Alert

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The proposal signals a broader shift toward reducing the specific disclosure requirements under Regulation S-K, while affirming the role of market-driven information flows in meeting investor demand for additional information and acknowledging the role of global frameworks and standards in shaping climate-related disclosures.

KEY TAKEAWAYS

- *US Securities and Exchange Commission (SEC or Commission) Shifts Back to Traditional, Less Prescriptive Principles-Based Disclosure:* The proposed rescission would eliminate the agency's 2024 climate disclosure framework, the Enhancement and Standardization of Climate-Related Disclosures for Investors rules, and recenter SEC reporting obligations on traditional, less prescriptive principles, reversing a regime that sought to require detailed climate risk and emissions disclosures.
- *Market and Investor Pressure Persists Despite Rollback:* Even without a federal mandate, companies will continue to face strong demand from investors for comparable, decision-useful climate disclosures—reflecting the role of investor expectations in shaping sustainability-related risk reporting.
- *The International Sustainability Standards Board (ISSB) Standards for Sustainability-Related Financial Disclosure (ISSB Standards) Offer a Path Forward:* The proposal signals a potential way forward for companies seeking a pragmatic approach to meeting investor demands and navigating other regulatory requirements efficiently. The proposal reinforces the potential for dual or hybrid disclosure practices and the importance of market-driven information flows in the total mix of information available. The investor-focused mandate of the ISSB Standards and their growing influence in global capital markets offer a roadmap for providing additional disclosures that are consistent with the traditional principles of the US financial markets.

On 29 May 2026, the SEC [proposed](#) to rescind in full its 2024 climate disclosure rules, marking a significant shift in the Commission's approach. The comment period closes on 3 August 2026. If adopted, the proposal would eliminate the SEC's most expansive climate disclosure framework to date and return the agency to a more traditional disclosure regime under federal securities laws.

While the proposal reflects the administration's broader deregulatory shift, it also underscores the continued role of investor demand and global-market forces in shaping climate-related disclosures—particularly as international frameworks such as the ISSB Standards gain traction.

BACKGROUND

The SEC's climate-disclosure rulemaking has evolved rapidly over the past several years, shaped as much by litigation and political transition as by regulatory policy. In March 2024, the Commission [adopted](#) final rules that would have required public companies to provide detailed and standardized disclosures concerning climate-related risks, governance practices, and—depending on the issuer—greenhouse gas (GHG) emissions and related financial-statement impacts.

Those rules represented a significant departure from the SEC's longstanding disclosure framework, which historically centered on principles-based requirements and issuer-specific determinations. Rather than relying primarily on a principles-based approach, the 2024 rules introduced a prescriptive and standardized regime requiring broad categories of climate-related disclosures if material, reflecting increasing investor demand for comparability and transparency.

Shortly after adoption, the rules were challenged in multiple federal courts of appeals by a wide range of stakeholders, including states and private litigants. The United States Court of Appeals for the Eighth Circuit (Eighth Circuit) ultimately consolidated the litigation, and the SEC [stayed](#) the effectiveness of the rules pending judicial review.

In March 2025, following a change in Commission leadership, the SEC voted to [discontinue](#) its defense of the rules. The Eighth Circuit subsequently held the litigation in [abeyance](#) while the Commission determined how to proceed.

The current proposal represents the Commission's formal response to that process and signals its intent to rescind the rules in their entirety through Administrative Procedure Act rulemaking.

WHAT IS IN IT

The proposed rescission ([Release No. 33-11421](#)) would eliminate all amendments adopted as part of the 2024 climate-disclosure rules, including changes to Regulation S-K and Regulation S-X.

As adopted, the 2024 rules would have required detailed disclosures of material information regarding climate-related risks and their impact on a company's business strategy, financial performance, and long-term outlook. These requirements extended to governance structures, risk-management processes, and mitigation strategies. The rules also would have required certain issuers to disclose Scope 1 and Scope 2 greenhouse gas emissions, along with related attestation requirements, and to report specified financial-statement impacts associated with climate-related events.

The proposed rescission would unwind these requirements entirely. If adopted, companies would continue their existing disclosure obligations, under which climate-related information is disclosed only to the extent it is considered material under longstanding securities-law principles, given that the 2024 regulations never took effect.

THE COMMISSION'S RATIONALE

The SEC's proposal is grounded in both legal and policy considerations.

First, the Commission asserts that the 2024 rule exceeded its statutory authority, emphasizing that disclosure requirements must be tied to investor materiality rather than broader policy objectives.

Second, the Commission concludes that the rules imposed significant compliance costs on public companies that were not justified by their benefits. These costs include investments in data-collection systems, internal controls, and third-party verification processes.

Finally, the proposal reflects the Commission's view that the 2024 rule departed from the SEC's traditional disclosure philosophy by imposing prescriptive requirements for specific climate-related financial information across a wide range of issuers, regardless of their specific risk profiles.

IMPLICATIONS FOR PUBLIC COMPANIES

If adopted, the rescission would significantly reduce near-term compliance burdens for public companies that had begun preparing implementation of the 2024 rule.

However, the proposal does not eliminate climate-related disclosure obligations entirely. Companies remain subject to existing securities-law requirements, including the obligation to disclose material climate-related risks.

In addition, companies will continue to face disclosure expectations driven by state regulations, international frameworks, and investor demand. As a result, the broader regulatory environment remains complex and increasingly fragmented.

Companies may need to reassess their sustainability-related disclosure strategies to ensure alignment with both legal requirements and market expectations.

LOOKING AHEAD

The SEC's proposed rulemaking should be understood as part of a broader recalibration of the Commission's approach to disclosure modernization, with particular significance for how companies might consider the role of international sustainability frameworks.

While the proposal is embedded in a wider deregulatory and capital formation agenda, its references to market-driven information flows signal a deliberate shift toward recognizing market-driven practices as a means for meeting select investor demand for additional, decision-useful information and acknowledging the role of global standards in that marketplace of information. In particular, the SEC appears to recognize the growing importance of [ISSB standards](#) in global capital markets, reflecting a broader shift toward market-driven standardization. In the [proposal](#), the Commission states “disclosures mandated by the Commission are only some of the information registrants provide to the marketplace. Investors and analysts often demand additional information about a wide range of topics depending on their particular investment strategies or non-investment interests.” The SEC emphasizes that this “market-driven flow of information” is expected to continue even without the rule. The proposal also suggests that these flows of information offer a reasonable alternative to meeting investor needs.

From a policy perspective, the proposal reflects an effort to balance domestic regulatory autonomy while acknowledging international market dynamics. Rather than embedding prescriptive climate-related disclosure items into Regulation S-K disclosure framework, the SEC's overall shift toward a more principles-based posture

offers issuers more flexibility to determine how to provide disclosures required by Regulation S-K and how to provide additional information to investors in the evolving global marketplace.

The proposal positions the US framework as compatible—but not coextensive—with global standards, preserving flexibility while enabling participation in global capital markets and investor-driven disclosure ecosystems.

For market participants, this environment is likely to reinforce continued reliance on hybrid or dual-reporting approaches with SEC rules, which are grounded in traditional materiality principles and the existing Regulation S-K framework, defining the minimum US regulatory baseline. The ISSB Standards offer a compatible global baseline for additional sustainability-related financial disclosures.

In recent [letter](#) sent to House GOP leadership, Rep. Nick LaLota (R-NY) and a group of House Republicans make a baseline for defending free-market principles and protecting the freedom to invest from increasing political interference in private markets. In the [press release](#), one of the signatories, Rep. Pat Harrigan (R-NC) notes, “When government starts telling investors what risks they can and cannot consider, it does not protect the market, it distorts it. We have already seen how state laws restricting investment decisions cost hundreds of millions in lost economic activity. If Washington continues down this road, the costs fall on American families, workers, and retirees whose savings are caught in the middle.”

With or without government mandates, we expect many US corporations will continue to make sustainability-related disclosures for investor-relations purposes. The central question, therefore, is not whether such disclosures will be made, but whether they will be recognized and accepted by foreign jurisdictions. In this regard, ISSB-aligned reporting could serve as a “passport” into those jurisdictions, enabling US issuers to satisfy international disclosure expectations through a single, globally accepted framework, while preserving the SEC’s traditional principles-based approach as the foundation of domestic disclosure obligations under the US securities laws.

RELATED RESOURCES

The firm has been and continues to be well positioned to assist clients in navigating this rapidly changing ESG-policy landscape. To learn more about the current state of ESG in American public policy, as well as the firm’s role in this space, please visit our previous publications, including:

- [Proxy Wars](#);
- [Here We Go Again: Red States Continue to Focus on ESG](#);
- [House ESG Oversight Focuses on Proxy Voting; Issuer Attention Is on CSRD](#);
- [SEC Issues Long-Awaited Climate Risk Disclosure Rule](#);
- [DOL Issues Proposed Rule on ESG Investing for ERISA Plans: Part 1: History and State of Play](#);
- [The EU CS3D Trilogue Nears Conclusion](#);
- [California Enacts Landmark ESG Legislation](#);
- [GOP ESG Bills Await US House Floor Consideration](#);

- [The ESG Debate Heats Up: State AGs Investigating Asset Manager Involvement in ESG Initiatives and Related Proxy Voting;](#)
- [ESG Investing and Proxy Voting: DOL's New Final Rule;](#)
- [SEC Adopts Final Rule Requiring Additional Proxy Voting Disclosures;](#)
- [Déjà Vu All Over Again: SEC Reverses 2020 Proxy Rules Changes and Proposes Shareholder Proposal Rule Changes;](#)
- [SEC Takes First Step Toward Standardized ESG Disclosures for Funds and Investment Advisers;](#)
- [SEC Issues Climate-Related Risk Disclosure Rule Proposal;](#)
- [2023 ESG State Legislation Wrap Up;](#) and
- [Biden Administration ESG Activity Accelerates.](#)

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