

SEC Proposes to Rescind Climate-Related Risk Disclosure Rule

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Introduction

On May 29, 2026, the Securities and Exchange Commission (SEC) proposed to rescind its climate-related risk disclosure rule, which it had finalized in March 2024, characterizing that rule as “a dramatic overreach of the Commission’s statutory authority” and “unsound as a matter of policy.”¹

The proposal advances both legal and policy arguments. First, it proposes a narrow reading of the SEC’s statutory authority, arguing that required disclosures must be “channel[ed]” by and comparable to the specific enumerated items in Schedule A of the Securities Act of 1933 and related requirements in the Exchange Act of 1934.² Second, the proposal advances an independent policy rationale, asserting that climate-related disclosures “stray well beyond the policy concerns of the federal securities laws.”³

The proposed rescission raises questions that extend well beyond climate change. If courts uphold the SEC’s proposed interpretation of its statutory authority, any disclosure requirement not tightly tethered to specific disclosures in statute or otherwise closely tied to financial information is at risk. This constraint would limit the SEC’s ability to respond to emerging risks by implementing new disclosure requirements, especially those perceived to have a subject-matter focus that extends beyond narrowly financial matters or a public policy valence.

This analysis explains the legal and policy arguments that the administration asserts, highlighting the legal implications of the Commission’s proposed approach.

2024 Climate-related Risk Disclosure Rule

The 2024 climate-related risk disclosure rule, which the Biden SEC finalized but never implemented, would have required public companies to disclose information about material climate-related risks in SEC filings to elicit comparable, decision-useful information for investors.⁴ Under the rule, companies would have reported on the impacts of climate-related risks on the company’s strategy, business model, and outlook, and steps the company had taken to mitigate or adapt, if material. Additionally, companies would have been required to

¹ Rescission of Climate-Related Disclosure Rules, 91 FR 33296 at 33298.

² See 15 USC 77aa; 15 USC 78.

³ 91 FR 33312.

⁴ The Enhancement and Standardization of Climate-Related Disclosures for Investors, 89 FR 21668. See also Harvard EELP, The Securities and Exchange Commission Finalizes a Narrower Climate-Related Risk Disclosure Rule, <https://eelp.law.harvard.edu/wp-content/uploads/2024/09/SEC-Climate-Related-Risk-Rule-Summary-and-8th-cir.pdf>.

report on their governance regarding climate-related risks, risk management, and climate targets and goals. Companies would have also reported financial information about climate-related risks the company faced, including their costs, expenditures, and losses related to severe weather events. A subset of large companies would have been required to disclose their scope 1 and 2 greenhouse gas emissions, if material. The rule would have established a safe harbor from private litigation for some of the disclosures.

Litigation Challenging 2024 Rule

The 2024 rule drew immediate legal challenge from multiple directions. Republican state attorneys general, private companies, and industry groups filed suits arguing the rule exceeded the SEC’s statutory authority, triggered the major questions doctrine, violated the First Amendment, and was procedurally defective under the Administrative Procedure Act (APA). The proposed rescission echoes many of these arguments. Environmental groups filed separate challenges arguing the opposite, contending that the final disclosure requirements were inadequate to protect investors. Nine circuit court petitions were consolidated before the Eighth Circuit in *Iowa v. SEC*.⁵

In April 2024, the Biden-era SEC voluntarily stayed implementation of the rule, citing “the procedural complexities of this litigation,” and the rule never took effect.

In July 2025, the Trump administration SEC filed a status report requesting a decision on the merits. The court, however, did not agree to issue a decision and instead returned the matter to the Commission, which then released the proposed rescission in May 2026.

Legal Arguments

The Commission justifies the proposed rescission by reassessing its own legal authority, asserting that examination of “the text and context of the relevant statutory provisions” reveals that the 2024 rule exceeded that authority and that rescission is therefore the “proper remedy.”⁶ The proposal’s legal arguments are largely consistent with some state attorneys general and industry petitioners’ critiques of the rule in *Iowa v. SEC* with respect to statutory authority, materiality as a limiting principle, and the major questions doctrine. This proposed narrowing of the interpretation of the SEC’s authority to require disclosure could put at risk disclosures that are not tied closely to disclosures enumerated in statute.

1. Statutory authority

The proposal asserts that the 2024 rule adopted “an impermissibly broad reading of its statutory authority”⁷ by failing to adhere to the requirement that disclosures be “‘channel[ed]’ by and comparable to” the items enumerated in statute and Schedule A of

⁵ *Iowa, et al v. SEC*, Docket No. 24-01522 (8th Cir).

⁶ 91 FR 33300.

⁷ 91 FR 33304.

the Securities Act, a list the Commission characterizes as focused on “business and financial characteristics.”⁸ The Commission also relies on provisions of the Exchange Act, including Section 12 which lists categories of required disclosures governing exchange-registration applications.⁹ Based on a narrow reading of the Securities Act and the Exchange Act, the Commission concludes that “Congress restricted the information an issuer or reporting company must disclose to items central to an understanding of the company’s business or financial characteristics.”¹⁰

However, the Commission’s statutory authority argument rests on a cramped reading of the securities laws that departs from the text and historical application of those statutes. The Securities Act grants the SEC authority to require “such other information” necessary or appropriate for investor protection — an open-ended grant, not a restriction.¹¹ Similarly, Section 12 of the Exchange Act allows “any further financial statements which the Commission may deem necessary or appropriate for the protection of investors.”¹² Reading the mandatory disclosures in the securities laws as confining disclosure to items analogous to the lists enumerated in these provisions disregards the statutes’ plain meaning and how the disclosure requirements have been promulgated over time.

The history of the SEC’s disclosure program confirms that the Commission and reviewing courts have understood the securities laws as an enabling framework, not a static list. The Commission added disclosure requirements beyond the specific items Congress enumerated in Schedule A over time. For example, the Commission updated its disclosure requirements on risk factor disclosure in the 1960s, environmental risks in the 1970s, Management’s Discussion and Analysis in the 1980s, and executive stock compensation in the 1990s.¹³ None of these longstanding requirements find a direct analog in Schedule A.

The proposal layers *Loper Bright Enterprises v. Raimondo* onto this statutory argument as an additional constraint, invoking the end of *Chevron* deference to suggest that courts will scrutinize novel agency action more rigorously.¹⁴ Under *Loper Bright*, courts must now determine the best reading of the statute independently, without deference to the Commission. However, a court applying *Loper Bright* to the Commission’s narrow construction might look skeptically at its departure from the statutory text and its conflict with the historical operation of the disclosure framework the Commission has administered for nearly a century.

⁸ See 15 USC 77aa; 15 USC 78.

⁹ 15 USC 78l.

¹⁰ 91 FR 33302.

¹¹ 15 USC 77g.

¹² 15 USC 78l(b)(1)(L).

¹³ See Chair Gary Gensler, Statement on Final Rules Regarding Mandatory Climate Risk Disclosures (March 6, 2024), <https://www.sec.gov/newsroom/speeches-statements/gensler-statement-mandatory-climate-risk-disclosures-030624>.

¹⁴ *Loper Bright Enters. v. Raimondo*, 603 U.S. 369 (2024).

In contrast to past interpretation of the SEC’s authority contained in those enabling statutes, the proposal seeks to limit information “fundamental to valuing the risks and returns of an investment in the registrant’s securities”¹⁵ to specific “enumerated disclosures.”¹⁶ In advancing this narrow legal interpretation, the Commission appears to seek to constrain disclosure requirements proposed by future administration by limiting its own legal authority.

2. Materiality, public interest, and investor protection as constraints

The Commission’s proposal interprets the concept of materiality and the statutory terms “public interest” and “protection of investors” as very narrowly tied to financial considerations.

Materiality. The Supreme Court defined materiality in *TSC Industries v. Northway* as information there is a substantial likelihood that a reasonable shareholder would consider important in making an investment decision considering the “total mix” of information available.¹⁷ The proposal, in contrast, seeks to define materiality narrowly, stating that “materiality is a concept inherently rooted in financial considerations.”¹⁸ Courts have interpreted materiality more broadly than the SEC proposes to do here, considering not only financial information but also, for example, corporate governance, legal violations, and reputational risk.¹⁹

Public interest and investor protection. Under the Securities Act of 1933, the SEC must determine that a rule is “necessary or appropriate in the public interest or for the protection of investors.”²⁰ The SEC asserts in the proposal that public interest should be interpreted to mean that “any additional, substitute, or more detailed disclosure requirements must be related to the registrant’s business or financial characteristics,”²¹ arguing that the term was “not intended to be construed in some vague, open-ended sense but rather in terms of the public interest in well-functioning securities markets.”²²

The Commission also argues that “protection of investors” should be read narrowly simply because otherwise “the Commission could mandate disclosure about virtually any topic, however contentious, esoteric, or parochial, provided that some subset of investors may find the information relevant to their decisions to buy or sell the registrant’s securities.”²³

¹⁵ 91 FR 33302.

¹⁶ 91 FR 33303.

¹⁷ 426 U.S. 438, 449 (1976).

¹⁸ 91 FR 33303.

¹⁹ See, e.g., *In re Alphabet, Inc. Sec. Litig.*, 1 F.4th 687, 703 (9th Cir. 2021); *In re Grupo Televisa Sec. Litig.*, 368 F. Supp. 3d 711, 721 (S.D.N.Y. 2019); *Indiana Pub. Ret. Sys. v. SAIC, Inc.*, 818 F.3d 85 (2d Cir. 2016).

²⁰ 15 USC 77g.

²¹ 91 FR 33302.

²² *Id.*

²³ *Id.*

If the Commission were to finalize the proposal's interpretation of these terms, it would substantially compress the Commission's disclosure authority across all subject matters, not only climate. In the Biden-era rule, the SEC argued its public interest and investor protection mandates required it to take action to address increasing climate-related risks and respond to investor demand for clear, comparable information, but limited most of the required disclosures with a materiality qualifier. As the SEC noted in the 2024 rule with supporting evidence from investor comments, surveys, and academic studies, "there is broad support from investors for more reliable, consistent, and comparable information on how climate-related risks can impact companies' operations and financial conditions."²⁴

In the proposal, the Commission departs from longstanding interpretation of these terms and asserts that the Biden-era reading of these terms lacks a limiting principle.²⁵

3. Federalism principles

The proposal invokes federalism as an additional rationale for rescission, arguing that the 2024 rule "intrude[s] on State authority over core matters of corporate governance," specifically "a State's authority to regulate domestic corporations."²⁶ In acknowledging that states are actively filling the federal vacuum, most notably California, which has new climate disclosure requirements covering approximately 5,000 large companies operating in its market,²⁷ the proposal implicitly concedes that the information the 2024 rule would have required is being demanded and generated regardless of what the SEC does. The Commission relies on state corporate governance authority to justify withdrawing federal disclosure requirements, yet a practical consequence of rescission is the substitution of a patchwork of state mandates. That outcome is in tension with a traditional rationale for federal securities regulation: to provide investors with consistent, comparable information across issuers regardless of their state of incorporation.

The SEC's admission of the state role in this space is somewhat surprising given the administration's opposition to state policies filling the gaps left by federal inaction in state climate policy and many areas of law. Executive orders issued by the Trump administration

²⁴ 89 FR 21846-7.

²⁵ 91 FR 33303. On a similar note, Commissioner Uyeda stated that "the Climate Rule should serve as a cautionary tale to financial regulators that their expertise is narrow and their authority is not without limit," asserting that "we should focus our regulations on matters within our areas of core competency and not attempt to interject our subjective judgment on topics minimally related to that which the legislature has tasked us to oversee." Commissioner Mark T. Uyeda, Statement of Commissioner Mark T. Uyeda on the Rescission of Climate-Related Disclosure Rules (May 29, 2026), <https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-rescission-climate-related-disclosure-rules-052926>.

²⁶ 91 FR 33305.

²⁷ See CARB, California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs, <https://ww2.arb.ca.gov/our-work/programs/california-corporate-greenhouse-gas-ghg-reporting-and-climate-related-financial>.

have sought to limit state authority to regulate greenhouse gas emissions and, more recently, to preempt state artificial intelligence disclosure and liability frameworks.²⁸

4. Major questions doctrine

The Commission argues that the climate rule runs afoul of the major questions doctrine, asserting that “[i]n light of the controversy, costs, and intrusions into the operations of public companies that would be generated by mandatory climate-related disclosure rules, this is a choice for Congress, not the Commission, to make.”²⁹ Following this approach, any disclosure requirement touching on a systemic risk could fall into this category.

The administration has relied on the major questions doctrine as a justification for rescissions of rules across agencies.³⁰ However, it is an interpretive tool for the courts to use, not a directive to the agencies to prejudge judicial outcomes.³¹

Policy Arguments

The proposal also offers policy arguments as an independent basis for rescission. The proposal argues that the Commission “gave inappropriate weight to several of the main justifications” in the 2024 rule and it “now reach[es] a different policy judgment.”³² Many of these arguments are familiar critiques to which the final rule responded, which opens the proposal to legal risk. For a change in policy position, the Commission must offer a reasoned explanation for the shift, acknowledge its altered stance, and consider any reliance interests on the prior rule.³³

1. Unnecessary and inconsistent given materiality-based approach

The proposal argues that existing disclosure and anti-fraud provisions already elicit sufficient information about material effects of climate change.³⁴ It also asserts that the 2024 rule prioritizes climate over other material matters.³⁵ Additionally, the SEC argues that recent developments, including simplified reporting requirements in the European Union (EU) and

²⁸ See Exec. Order No. 14260, “Protecting American Energy from State Overreach,” (Apr. 8, 2025); Exec. Order No. 14365, “Ensuring a National Policy Framework for Artificial Intelligence,” (Dec. 11, 2025).

²⁹ 91 FR 33308.

³⁰ See White House, Fact Sheet: President Donald J. Trump Directs Repeal of Regulations That Are Unlawful Under 10 Recent Supreme Court Decisions (Apr. 9, 2025), <https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-directs-repeal-of-regulations-that-are-unlawful-under-10-recent-supreme-court-decisions/>.

³¹ *West Virginia v. EPA*, 597 U.S. 697 (2022).

³² 91 FR 33308.

³³ *Food & Drug Admin. v. Wages & White Lion Invs.*, 604 U.S. 542 (2025); *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502 (2009); *Motor Vehicle Manufacturers Ass’n v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29 (1983).

³⁴ 91 FR 33309.

³⁵ 91 FR 33305.

the International Sustainability Standards Board (ISSB), show the superiority of a flexible, materiality-based approach.³⁶

The proposal is dismissive of the ways in which the final 2024 rule incorporated a materiality standard.³⁷ The 2024 rule incorporated materiality thresholds in many components of the rule, including for greenhouse gas emissions, climate-related risk disclosures, and financial estimates. The proposal’s argument that a materiality-based approach is preferable to the 2024 rule’s approach obscures the fact that the 2024 rule was a largely materiality-based approach, calibrated in response to extensive comment.

The Commission does not engage seriously with some of the motivating factors for the 2024 rule to conclude that the materiality standard alone was insufficient, including ensuring that disclosed information is consistent, comparable, and complete.³⁸ The 2024 rule documented in detail the extent to which existing voluntary disclosure was fragmented and non-comparable, and concluded that a standardized framework was necessary to produce decision-useful information. The proposal does not explain why the problems the 2024 rule responded to have become less significant.

Nor does the proposal consider the extent to which the pared-back EU and ISSB continue to require specific, quantitative reporting on corporate emissions, physical and transition risks, and climate-related financial impacts that in many respects exceed the requirements of the 2024 rule. These ongoing requirements show continuing demand for investor-useful information and, practically, would mitigate the additional burden of a U.S. rule on many reporting companies already reporting or preparing to do so under other schemes.

2. 2024 rule “stray[ed] well beyond” the policy concerns of the federal securities laws

The proposal contends that the 2024 rule did not respond to “a gap in investor protection in the securities disclosure regime” but rather “concern[ed] the divisive and unsettled political and social issue of climate regulation.”³⁹ The SEC characterizes the 2024 rule as “pushing the limits of its regulatory authority” given the focus on climate-related matters specifically, which it claims is “intrusive” and political.⁴⁰

However, the 2024 rule demonstrated the gap in investor protection in the climate space and the strong investor demand for clear, comparable climate-related information. The 2024 rule documented in substantial detail the investor protection gap the rule was designed to address, as existing voluntary and principles-based disclosure frameworks were producing climate-related information that was inconsistent across issuers, non-comparable across periods, and insufficiently specific to support investment and voting decisions. The

³⁶ 91 FR 33310-11.

³⁷ 91 FR 33304-5.

³⁸ 89 FR 21671.

³⁹ 91 FR 33311.

⁴⁰ 91 FR 33312.

rule documented extensive and broad-based investor demand — from institutional asset managers, pension funds, and other fiduciaries collectively managing trillions of dollars in assets⁴¹ — for standardized, reliable climate risk disclosure.

Nonetheless, the proposal does not grapple with the robust evidence of demand for this disclosure presented in the 2024 rule or adequately explain why this gap no longer exists.

3. Significant costs not justified by informational benefits

The proposal argues that the 2024 rule’s compliance costs are high and unjustified by the informational benefits it would produce, estimating that rescission will save approximately \$4.9 billion per year over ten years across affected registrants.⁴² The cost-benefit analysis estimates the benefits of reduced reporting costs but does not quantify costs of rescission. The proposal’s cost-benefit analysis acknowledges that rescission has costs to investors, including reduced availability of standardized climate information, but attempts to minimize those costs on the grounds that existing materiality-based disclosure obligations, voluntary frameworks, and foreign mandatory regimes will continue to supply investors with relevant climate-related information. It asserts indirect benefits for investors from “eliminat[ing] the risk of investor confusion or information overload due to the volume and scope of the disclosures” in the 2024 rule,⁴³ while at the same time claiming that one of the costs to investors will be making it “more difficult [...] to incorporate climate-related information into their valuation of registrants’ securities and to make informed investment decisions.”⁴⁴ The proposal does not quantify investor-side costs such as the challenges of a fragmented reporting framework or disaggregate investor types to account for more sophisticated investors with sustainability research capabilities versus smaller investors without that expertise.

The SEC indicates that it expects climate-related disclosures will continue in the absence of a federal rule: “the SEC’s existing disclosure requirements elicit disclosure of information about material climate-related matters and would continue to do so should the Final Rules be rescinded.”⁴⁵ The proposal acknowledges that EU,⁴⁶ California,⁴⁷ and other mandatory disclosure regimes will elicit climate risk and emissions information from companies operating in U.S. markets regardless of what the SEC requires. Many companies will continue to collect and disclose climate-related information — through voluntary frameworks, foreign mandatory requirements, and existing materiality-based obligations in their annual

⁴¹ See, e.g., The Investor Agenda, 2021 Global Investor Statement to Governments on the Climate Crisis, <https://theinvestoragenda.org/wp-content/uploads/2021/09/2021-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf/>.

⁴² 91 FR 33312.

⁴³ 91 FR 33331-2.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ 91 FR 33318.

⁴⁷ 91 FR 33317-18.

filings.⁴⁸ The proposal further acknowledges that “[m]any registrants, including in industries with higher carbon footprint (e.g., transportation and utilities, mining, construction)” already disclose climate-related information in Form 10-K or 20-F annual reports.⁴⁹ For these companies, the incremental compliance cost of the 2024 rule were likely lower than the gross \$4.9 billion figure suggests, because at least some of the underlying data collection infrastructure was already in place. While the rescission will not eliminate climate disclosure, it will ensure it remains fragmented, requiring companies to navigate a patchwork of disclosure schemes.

4. High cost of rules at odds with goal of facilitating capital formation

Further, the Commission claims that its “current agenda is focused on restoring the vigor of public securities markets and encouraging companies to go public and stay public” and that the cost of disclosure is “one deterrent” to companies considering going public.⁵⁰ Therefore, the proposal claims, the 2024 rule “would be in direct contravention of the Commission’s current policy objectives of promoting public company status and facilitating capital formation.”⁵¹

Again, this argument runs headlong into the reality that many large public companies are already reporting or preparing to report in the EU and large public and private companies will report in California in 2026. As the proposal itself concedes, many of the companies most likely to be deterred by climate disclosure costs — large, capital-intensive companies in high-emitting sectors — are already subject to, or preparing to comply with, EU and California reporting.

The proposal also does not engage with the 2024 rule’s response to this objection, which was raised extensively during the comment period. In recognition that some companies would face new disclosure requirements, the 2024 rule phased in compliance timelines, giving large accelerated filers nearly two years for most disclosures and up to ten years for reasonable assurance over greenhouse gas emissions. The rule also exempted smaller reporting companies, emerging growth companies, and non-accelerated filers from greenhouse gas reporting. Thus, the smaller and earlier-stage companies that could have been deterred from going public by disclosure were excluded what was considered a “relatively larger burden” for smaller firms.⁵² The proposal does not explain why these

⁴⁸ 91 FR 33328-29; 33333-4. The proposal notes, “If a registrant’s current disclosures are similar to those required under the Final Rules, then the registrant could already have incurred some costs for preparing these disclosures and thus its incremental costs to comply with the Final Rules could be lower.” 91 FR 33328 Fn. 296.

⁴⁹ 91 FR 33331-2 Tables 3, 4.

⁵⁰ 91 FR 33314.

⁵¹ *Id.*

⁵² 89 FR 21860.

accommodations were insufficient or how rescission serves the interests of companies that were already exempted.

Reasonable Alternatives

The SEC does not consider reasonable alternatives in its proposal, asserting that rescinding parts of the rule “would not be reasonable” due to lack of legal authority and “interconnectedness” of the rule.⁵³ This lack of a serious attempt to consider alternatives — for example, a partial rescission that retains only climate-related risk reporting or requires reporting only for the largest companies — creates legal risk for the rule. Under administrative law, an agency must consider reasonable alternatives to its chosen course of action.⁵⁴

Request for Comment and Next Steps

The Commission requested comment on seven questions, including whether the Commission should update 2010 guidance on climate-related disclosure under the current disclosure regime.⁵⁵ Comments are due to the SEC by August 3, 2026.

Follow EELP’s [Financial Regulation, Climate Change, and Climate-related Risk Disclosure Regulatory Tracker](#) page for developments.

⁵³ 91 FR 33341.

⁵⁴ *Motor Vehicle Manufacturers Ass’n v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29 (1983).

⁵⁵ 91 FR 33314.