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Day 2 “Headlines” for the SEC’s New Climate Disclosure Rules



We know you're already fielding a multitude of questions about the SEC's new climate risk disclosure rules. Yesterday we provided a [high level summary of 15 things you need to know](#), but you also need these headlines to share with your colleagues as you pour another cup of coffee and continue making your way through the nearly 900-page adopting release. We're here for you:

1. **Litigation Against the SEC is Already Here.** We knew litigation was coming, but mere hours after the Commission adopted the final rule, a coalition of 10 Republican-led states announced the [filing of a lawsuit](#) in the U.S. Court of Appeals for the 11th Circuit. The lawsuit challenges the SEC's statutory authority to make the rule and claims that the rule is arbitrary and capricious under the Administrative Procedure Act. And there are media reports of more lawsuits likely coming soon.
2. **Emissions Still Need to Be Assessed.** As we highlighted yesterday, Scope 3 emissions disclosure are not part of the final rule, and Scope 1 and 2 disclosures are required for Large Accelerated Filers and Accelerated Filers only *if* material to your company.

This is a welcome scaling-back from the proposed rules, but companies will need to assess materiality considerations over the coming year and this may require analysis of your Scope 1 and 2 emissions even if you ultimately decide not to disclose. Also keep in mind that companies doing business in California may still have separate emissions disclosure requirements (including Scope 3) under state law beginning as early as 2026.

3. **Still Prescriptive, Not Principles-Based.** The Regulation S-K disclosure requirements take a less prescriptive approach in some parts, and include additional materiality qualifiers as compared with the originally proposed rules. But, the overall approach remains the same, with highly prescriptive and detailed rules rather than the principles-based approach taken in many other Regulation S-K sections.

Many of these initial disclosure requirements will be applicable for fiscal years beginning in 2025 for Large Accelerated Filers, 2026 for Accelerated Filers, and 2027 for Smaller Reporting Companies and Emerging Growth Companies. So work will need to start soon.

4. **Important Change to Financial Statement Rules.** The proposed rule included disclosures on the financial impact of any climate-related risks and any climate-related opportunities. These concepts were highly criticized in comment letters submitted to the SEC - and have been eliminated from the final rules - though other financial footnote disclosures remain and will be required in the first phase of implementation. As part of your financial footnotes, these will also be subject to audit by your independent auditor.
5. **Built on TCFD and GHG Protocol.** The final rules, like the proposed rules, have similarities to the TCFD reporting framework and the GHG Protocol. This is helpful since so many companies are already reporting using these frameworks in their sustainability reports. But, the adopting release notes that "the rules diverge from both of those frameworks in certain respects where necessary for our markets and registrants and to achieve our specific investor protection and capital formation goals." For companies that were hoping to reuse existing disclosures, you'll still need to review those disclosures against the new rules to make sure you have everything.

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