Proskauer

Climate Reporting in 2025: Looking Ahead

Regulatory & Compliance on **January 16, 2025**

In this alert, we reflect on recent climate reporting updates and analyze expectations for 2025 that are relevant for international businesses.

The global landscape is becoming increasingly uncertain in relation to climate reporting following litigation and a change of management at the SEC in the U.S., an expected rise of Blue State climate reporting requirements, combined with the UK and other jurisdictions' adoption of the global standard setter ISSB's climate reporting standards and the EU's implementation of the Corporate Sustainability Reporting Directive ("CSRD"), amongst other initiatives. A worldwide rollout of climate change disclosure requirements has always been uneven, but these uncertainties create the potential for even greater fragmentation.

Businesses should carry out regular horizon scanning to keep abreast with the range of legislation and regulation that could impact them.

California Climate Disclosure Law 2024 Year End Developments

As we noted in detail in our prior Client Alerts, California Climate Disclosure Laws – New Developments, Old Timelines, California – First State to Enact Climate Reporting Legislation and California – First State to Enact Climate Reporting Legislation, the California climate disclosure laws (SB 253 and SB 261) were passed in October 2023 and amended by SB 219 in September 2024. SB 253 requires covered entities to disclose their Scope 1 and Scope 2 greenhouse gas (GHG) emissions by an unspecified date in 2026 for the prior fiscal year and by an unspecified date in 2027 for Scope 3 emissions, and SB 261 requires covered entities to report on their climate-related financial risks on or before January 1, 2026. California Air Resources Board (CARB) is required to promulgate regulations by July 1, 2025, to implement SB 253 (but is not required to promulgate implementing regulations for SB 261).

On December 5, 2024, CARB issued an enforcement notice to advise entities required to comply with SB 253 that CARB will exercise its enforcement discretion for the first reporting cycle in 2026 if the reporting entity demonstrates good faith efforts to comply with the requirements of SB 253. More specifically, a covered entity may disclose its Scope 1 and Scope 2 GHG emissions based on information the entity already possesses or is already collecting and CARB will not take enforcement action against any entity that makes incomplete Scope 1 and Scope 2 GHG emissions disclosures in 2026 if the entity makes a good faith effort to retain all data relevant to its GHG emissions reporting for its prior fiscal year.

To better inform CARB's implementation of SB 253 and SB 261, on December 16, 2024, CARB issued a solicitation to gather responses from stakeholders to 13 questions. CARB's questions cover applicability, including what should constitute "doing business in California," how to minimize duplication of reporting efforts for entities required to report under other programs, whether to standardize certain aspects of Scope 1, 2 and 3 reporting under SB 253 and what is an appropriate timeframe within a reporting year for biennial reporting under SB 261, among others. CARB also expressly opened the solicitation to any additional feedback that should be considered by CARB in its implementation of SB 253 and SB 261. The comment period is open until February 14, 2025 and comments can be submitted to CARB here.

SEC Developments

It is no secret that the incoming Republican Administration has been skeptical of the federal government's climate change measures, which brings further uncertainty to the SEC's new climate change rules. To be sure, there was already uncertainty surrounding litigation in the U.S. Court of Appeals for the 8th Circuit over the rules' validity.

The new SEC rules for many companies were scheduled to take effect for their 2025 fiscal years, resulting in disclosure in annual reports on Forms 10-K and 20-F filed in 2026. The SEC has voluntarily stayed the effectiveness of its new rules in light of the litigation. Since certain U.S. filers will be subject to the rules based on their operations this year if the stay is lifted, the SEC will undoubtedly announce a delay in the rules' effective dates of at least one year even if the SEC is successful in the 8th Circuit.

The new Administration will have a few options. For example:

- it can await the outcome of the litigation before deciding what, if anything, to do with the rules;
- it could decide to leave the rules intact in light of domestic and international pressure. As the SEC clarified in adopting the rules that disclosure is triggered only by “material climate risks,” many U.S. public companies may not have to provide disclosure under the new rules;
- it could modify the rules to eliminate more controversial elements but otherwise leave the rules intact; or
- the new Administration could decide to vacate the rules.

The President-Elect had been critical of climate change measures in his campaign, but not all members of his team are necessarily against all climate change measures, there is international pressure to have some level of disclosure, and therefore it is challenging to make any general, sweeping prediction. We will potentially see some additional color on the President-Elect’s plans when the nominee for SEC Chairman testifies at Senate confirmation hearings.

We recommend that companies continue to prepare for the new requirements, perhaps at a slower pace. Even if the courts invalidate the SEC’s rules, or the SEC vacates them, certain states in addition to California are likely to ramp up their own requirements in order to fill the gap, and institutional investors may strengthen their proxy voting guidelines on the subject. Companies with operations in the EU may be subject to those disclosure requirements, which overlap significantly with the SEC’s requirements.

EU Unrest on Corporate Sustainability Reporting

The first reports under the CSRD will be published in 2025. There is a phased scoping of CSRD and the first reports, predominantly by EU companies that had been subject to the Non-Financial Reporting Directive, will be read with great interest to review how they have approached the CSRD’s complex double materiality assessment and the number of sustainability topics reported on, which businesses in scope of later phases of CSRD may be able to leverage before making their own reports. Challenges remain with CSRD reporting as further guidance and expectations are published on a piecemeal basis, and national transposing law of CSRD remains incomplete in a number of EU jurisdictions.

Businesses with international headquarters that may be subject to the 2028 year CSRD reporting (to be reported on in 2029) should be aware that there is a consultation expected imminently in 2025 on the global standards for such reporting. The signals sent so far suggest the potential availability of an opt-out mechanism for global businesses, enabling them to focus disclosures on the EU footprint of products and services, rather than on global operations. For further information, please see here: A Step Closer to CSRD's Non-EU Group Reporting Standards.

There is also political turmoil in the EU that could impact climate reporting requirements in the EU; for example, the German Chancellor, Olaf Scholz, has called for a two-year delay to CSRD (despite the timeline having already been triggered). Furthermore, there have been calls for a simplification of corporate sustainability obligations for EU businesses, with the EU currently considering simplifying various existing sustainability-related regulations into a "single omnibus regulation" ("Omnibus Regulation"). This is being led by the European Commission President, Ursula von der Leyen, after criticism that the sustainability legislation is impacting the EU's competitiveness. Proposals on the Omnibus Regulation, alongside other streamlining proposals for businesses, are expected to be proposed by the European Commission by mid-2025.

Businesses are recommended to keep careful track of CSRD developments and how it may shape their own approach to reporting or trigger the need to re-visit key areas.

UK – and Global – Momentum Towards ISSB

The UK government has been openly supportive of the International Sustainability Standards Board ("ISSB") International Financial Reporting Standards ("IFRS"). On 18 December 2025, the UK's Sustainability Disclosure Technical Advisory Committee published final recommendations to the UK government to endorse the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures for used in the UK, with some minor amendments.

A consultation is expected in Q1 2025, with any eventual roll out of the ISSB standards likely to mirror the phased implementation of TCFD, with UK-listed companies being subject to the requirements first.

There is broader global momentum towards ISSB adoption – including in Canada, Hong Kong and Japan. With the fragmented political landscape on ESG and competing sustainability regulatory requirements, it is likely that 2025 sees the continued rise of ISSB and it increasingly establishing itself as a common global standard following it subsuming responsibility for TCFD in 2023.

For further information on navigating these overlapping yet contrasting regimes, please contact any of the authors below.

Authors: Aliza Cinamon, Louis Rambo, Frank Zarb, Rachel Lowe, Michael Singh

View original.

Related Professionals

- **Aliza R. Cinamon**
  Partner
- **Louis Rambo**
  Partner
- **Frank Zarb**
  Partner
- **Rachel E. Lowe**
  Special Regulatory Counsel
- **Michael Singh**
  Associate