Climate disclosure in flux: Tracking the shifting sands of the global regulatory landscape

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The regulatory landscape for climate and sustainability reporting continues to shift rapidly, creating compliance challenges for many companies and their legal counsel. Starting in early 2025 with its "Stop-the-Clock" directive, the EU has taken significant steps to delay and simplify its requirements for sustainability reporting, while also scaling back the number of companies impacted. In the United States, developments are heading in conflicting directions: the federal government is moving through the final stages of eliminating the U.S. Securities and Exchange Commission's (SEC) climate-related disclosure rule; while California is continuing its efforts to implement comprehensive climate reporting requirements—efforts stayed in part by litigation. For multinational companies, these requirements are further complicated by other jurisdictions considering or implementing only partially harmonized reporting requirements. The result is a global patchwork of shifting requirements that requires significant effort to track and comply with. In other words, although there have been efforts to harmonize these reporting requirements, it has nevertheless resulted in disjointed outcomes and obligations across jurisdictions.

The European Union: Narrowing the scope and streamlining sustainability reporting

The European Union (EU) adopted an ambitious European Green Deal in 2019, a sweeping set of initiatives intended to transform Europe's economy, energy, transport, and industries for a more sustainable future, with one of the centerpieces of that effort being the Corporate Sustainability Reporting Directive (CSRD). CSRD was originally intended to be a directive requiring detailed and comprehensive sustainability reporting by a wide range of companies. However, over the course of the last year and a half, the EU has taken important steps to delay and simplify the requirements, significantly reshaping CSRD.

The far-reaching changes to CSRD have reduced regulatory burdens, especially on small and medium enterprises. Now only large companies that meet significantly increased thresholds will be affected by sustainability reporting. The CSRD now applies to companies and groups exceeding 450 million euros (€) net turnover (some $500 million USD) and 1,000 average employees. For non-EU parents, the threshold is EU turnover exceeding €450 million for two consecutive financial years plus an EU subsidiary or branch with turnover exceeding €200 million. As part of the streamlining of the required reporting, the Commission adopted revised European Sustainability Reporting Standards (ESRS) for EU-organized entities. The revisions reduced the number of mandatory datapoints by over 60 percent and the total number of datapoints by over 70 percent, with an estimated reduction in reporting costs of

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more than 30 percent per company. The EU continues to work on establishing the details of a reporting path (ESRS-40a) for large non-EU groups with significant EU revenue and a sizable EU subsidiary. This process gives some multinationals yet another set of regulatory developments to track and reporting decisions to consider, as some companies could be subject to ESRS-40a at the parent level while having one or more subsidiaries subject to the "full" ESRS, which could materially affect data collection and governance. Thus, the reporting landscape in the EU continues to evolve.

United States: Reversal of the SEC reporting rule

At the federal level, climate reporting has been the subject of the same sweeping changes that are happening across the climate disclosure landscape. The SEC's comprehensive climate-related disclosure rule was paused following legal challenge, and the SEC is actively moving forward with rescinding the rule. While there are still reasons why some U.S. companies may be required to include climate-related disclosures in their SEC filings, including those highlighted in the SEC's 2010 Guidance Regarding Disclosure Related to Climate Change, there is no prospect that new, comprehensive federal-level requirements will be imposed in the immediate near future.

California: Climate disclosure laws continue to roll forward amid legal uncertainty

In 2023, California passed two landmark laws—SB 253, the Climate Corporate Data Accountability Act, and SB 261, the Climate-Related Financial Risk Act—that require large public and privately held entities doing business in California to disclose information on their direct and indirect greenhouse gas emissions and their climate-related financial risks. California subsequently passed SB 219, which updated certain deadlines and requirements of the laws. Although just one state, California as a stand-alone entity has the world's fourth largest economy and is a potent driver for many who wish to partake of that large economic area.

California's rollout of its climate reporting requirements has been significantly impacted by litigation challenging the laws. On November 18, 2025, the Ninth Circuit stayed enforcement of SB 261 against the plaintiffs—major national and state trade associations—and their members, pending appeal. The Ninth Circuit, however, denied a requested injunction as to SB 253, the emissions disclosure law. On December 1, 2025, the California Air Resources Board (CARB, the agency administering the program) extended injunctive relief and therefore, protection, for all entities covered by SB 261, stating that it will not enforce the statutory deadline of January 1, 2026. On January 9, 2026, a three-judge panel of the Ninth Circuit heard oral arguments in the case; as of writing this article, no decision has been issued.

Despite the litigation, CARB has proceeded to promulgate regulations to implement both laws. On October 12, 2026, CARB received approval from California's Office of Administrative Law of its regulations to define key terms concerning applicability of SB 253 and SB 261, and to implement the fee assessment program. CARB has issued multiple rounds of guidance for covered entities required to report under SB 253, reiterating the enforcement discretion CARB will be exercising for the first reporting year (2026), explaining the level of detail expected, and clarifying how entities without information to report should respond. Thus, even amid this litigation uncertainty, CARB is sending clear signals that companies need to move forward with compliance for SB 253. As of publication of this article, the

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November 10, 2026, reporting deadline under SB 253 remains in effect pending the Ninth Circuit's highly-anticipated decision on the case.

The United Kingdom, Australia, and beyond: Evolving disclosure requirements

The reporting frameworks in other countries are continuing to shift quickly in important ways. For example, the United Kingdom's Financial Conduct Authority (FCA) recently finalized its rules on sustainability disclosures for listed companies. The final rule meaningfully departs from FCA's earlier proposals by placing all reporting under the UK Sustainability Reporting Standards—spanning both climate-related and broader sustainability matters—on a flexible "comply-or-explain" basis that allows companies to either report fully or justify any departure, stepping back from the previously contemplated approach of making comprehensive climate disclosures obligatory. This reflects a significant shift in approach that responds to concerns about the international competitiveness of the UK listings market.

Similarly, the Australian Treasury recently engaged in a consultation regarding potentially notable changes to the country's climate-related disclosure framework that could include changing assurance rules to reduce compliance costs, providing clearer guidance on key terms and concepts, and reducing the burden of information requests across supply chains. Other countries including Singapore and South Korea are actively examining options for sustainability reporting.

Looking across jurisdictions, it is important to note the efforts to roll out and rely on the International Sustainability Standards Board (ISSB) standards for sustainability reporting. So far, over 35 countries have implemented, or are in the process of implementing, ISSB (on varying bases, including mandatory and comply-or-explain frameworks). The intent behind the ISSB is to have a single reporting standard that is usable across jurisdictions. Companies should continue to monitor their obligations under ISSB and should expect continued amendments by jurisdictions in the future.

The continued legal uncertainty surrounding these laws and frameworks is complicating compliance efforts on multiple fronts. Entities potentially subject to these regimes should carefully review the latest developments along with their counsel.

Author's note:

The Ninth Circuit issued its decision on Nov. 9; see Ninth Circuit November 2026: CARB Scope 1 & 2 Deadline Stands, Scope 3 & SB 261 Likely Unconstitutional — What Businesses Must Do Now | Crowell & Moring LLP.

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