UNITED STATES SENATE COMMITTEE on
BANKING, HOUSING, & URBAN AFFAIRS
★ RANKING MEMBER TIM SCOTT ★

The SEC's Climate Disclosure Rule: Government Overreach at its Worst

On March 6, 2024, the Securities and Exchange Commission (SEC), under Chair Gary Gensler, voted 3-2 to finalize its burdensome climate disclosure rule. The final rule exceeds the SEC's scope of authority and will bury public companies in paperwork, raise costs for consumers, and stifle economic opportunity.

The SEC is acting outside the scope of its authority in finalizing the rule.

- First and foremost, the SEC is a securities regulator, not a climate-change enforcer for the far-Left, and the agency has no statutory authority or expertise to address political and social issues.
- This rule does far more to advance the Biden administration's far-Left climate agenda than uphold the SEC's mandate to protect investors, facilitate capital formation, and maintain fair, orderly, and efficient markets.

The SEC's climate disclosure rule will bury public companies in paperwork.

- The 886-page rule will require **any** public company to include onerous climate-related disclosures in their annual public reports, including direct greenhouse gas emissions and indirect greenhouse gas emissions from energy sources.
- It also requires companies to disclose the potential impacts of nonfinancial risks, like severe weather or other natural disasters.

Complying with the new rule will increase costs for businesses, which will be passed on to consumers.

- The new rule will add 21% to public company costs by forcing companies to adopt burdensome assessment mechanisms to determine what climate-related information needs to be reported or not.
- The requirements will open companies up to litigation or fines and drastically alter corporate behavior.

The rule threatens the U.S. capital markets' position as the global gold standard.

- Our capital markets are the envy of the world, but less companies are going and staying public – the number of public companies has declined by more than 50% since 1996.
- Adding more burdensome requirements will further discourage businesses from joining our public markets.

The final rule differs dramatically from the initial proposal.

- The SEC's final rule excludes major provisions from the proposal and adopts new elements.
- Rulemakings must include a thorough cost-benefit analysis, but even the SEC acknowledges it lacks the data to accurately assess the changes made to the final rule.

The rule is another example of SEC Chair Gary Gensler's pursuit of one of the most aggressive regulatory agendas in the agency's history.

- Gensler and the SEC are on track to propose and finalize over 60 rules with limited public comment periods and inadequate cost-benefit analyses, far outpacing his predecessors.