118TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
118–615

PROVIDING FOR CONGRESSIONAL DISAPPROVAL UNDER CHAPTER 8 OF TITLE 5, UNITED STATES CODE, OF THE RULE SUBMITTED BY THE SECURITIES AND EXCHANGE COMMISSION RELATING TO "THE ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS"

JULY 30, 2024.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. MCHENRY, from the Committee on Financial Services, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.J. Res. 127]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the joint resolution (H.J. Res. 127) providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Securities and Exchange Commission relating to "The Enhancement and Standardization of Climate-Related Disclosures for Investors", having considered the same, reports favorably thereon without amendment and recommends that the joint resolution do pass.

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PURPOSE AND SUMMARY

Introduced on April 8, 2024, by Representative Bill Huizenga, H.J. Res. 127, a resolution providing for congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Securities and Exchange Commission relating to the "Enhancement and Standardization of Climate-Related Disclosures for Investors," would rescind the Securities and Exchange Commission's (SEC) rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors."

BACKGROUND AND NEED FOR LEGISLATION

On March 6, 2024, the Securities and Exchange Commission ("SEC") voted 3–2 to adopt an 886-page rule entitled "The Enhancement and Standardization of Climate-Related Disclosures for Investors" ("the Climate Rule" or "the rule"). The rule introduces sweeping changes to existing disclosure obligations for public companies. Among its many requirements, the rule imposes new obligations including but not limited to scope 1 and 2 greenhouse gas ("GHG") emissions; climate-related risks; board oversight of climate risks; management's assessment and management of climate-related risks; climate-related targets and goals; and financial statement effects of certain climate related risks. In adopting the final rule, the SEC overstepped its authority by finalizing climate-related regulations without a clear directive from Congress. The rule will have ripple effects that will be felt throughout the economy.

Shortly after adoption, numerous lawsuits challenging the rule were filed, including by companies, trade groups and attorneys general from several Republican-led states. On March 15, 2024, the Fifth Circuit Court of Appeals granted a request for an administrative stay on the rule. The stay was subsequently lifted and, following the SEC's request to consolidate pending litigation, the Eighth Circuit Court of Appeals was selected via a lottery to hear the consolidated case. On April 4, 2024, the SEC voluntarily stayed the rule pending the outcome of ongoing litigation.

The SEC should not have finalized the Climate Rule. For example, the Climate Rule likely violates the major questions doctrine, which requires agencies to decide on issues of major political or economic significance only where there is clear Congressional authority. As Committee Republicans have repeatedly made clear, Congress never authorized the SEC to promulgate climate-related regulations. Moreover, to comply with the Administrative Procedure Act ("APA"), the SEC should have re-proposed the rule after significant changes had been made. Finally, there are serious concerns that the types of disclosures required by the rule compel speech in violation of the First Amendment. In fact, the information that must be disclosed is not "purely factual and uncontroversial" and may be used as an attempt to name and shame market participants.

Notwithstanding several notable changes to the proposed rule, the Climate Rule remains an unworkable and overly burdensome attempt to achieve progressive climate policy goals. For example,

the rule deviates from the materiality standard, replacing a principles-based approach to disclosures with several prescriptive new requirements. Despite arguments to the contrary, the disclosures required by the rule will overwhelm, not inform, everyday investors. In addition, the rule will substantially increase costs, litigation risk, and operational complexity while providing no comparable benefits to companies or investors. Given the rule's relatively short timeline for compliance, public companies must act immediately to adhere to the rule's requirements. Ultimately, everyday Americans will suffer, as companies will hire fewer employees, raise prices to afford higher compliance costs, or avoid going public.

RELATED HEARINGS

118TH CONGRESS

Pursuant to clause 3(c)(6) of rule XIII, the following hearings were used to develop H.J. Res. 127: The full Committee on Financial Services held a hearing on April 10, 2024, titled "Beyond Scope: How the SEC's Climate Rule Threatens American Markets."

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on April 17, 2024, and ordered H.J. Res. 127 to be reported favorably to the House by a recorded vote of 28 ayes to 22 nays (Record vote no. FC–137), a quorum being present.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the order to report legislation and amendments thereto. H.J. Res. 127 was ordered reported favorably to the House by a recorded vote of 28 ayes to 22 nays (Record vote no. FC–137), a quorum being present.

Record vote no. FC- 137

Representative	Yea	Nay	Present
Mr. McHenry	X		
Mr. Hill	X		
Mr. Lucas	X		
Mr. Sessions	X		
Mr. Posey	X		
Mr. Luetkemeyer			
Mr. Huizenga	X		
Mrs. Wagner	X		
Mr. Barr	X		
Mr. Williams (TX)	X		
Mr. Emmer	X		
Mr. Loudermilk	X		
Mr. Mooney	X		
Mr. Davidson	X		
Mr. Rose	X		
Mr. Steil	X		
Mr. Timmons	X		
Mr. Norman	X		
Mr. Meuser	X		
Mr. Fitzgerald	X		
Mr. Garbarino	X		
Mrs. Kim	X		
Mr. Donalds	X		
Mr. Flood	X		
Mr. Lawler	X		
Mr. Nunn	X		
Ms. De La Cruz	X		
Mrs. Houchin	X		
Mr. Ogles	X		

Representative	Yea	Nay	Present
Ms. Waters		X	
Mrs. Velázquez			
Mr. Sherman		X	
Mr. Meeks		X	
Mr. Scott		X	
Mr. Lynch		X	
Mr. Green		X	
Mr. Cleaver		X	
Mr. Himes		X	
Mr. Foster		X	
Mrs. Beatty		X	
Mr. Vargas		X	
Mr. Gottheimer		X	
Mr. Gonzalez		X	
Mr. Casten		X	
Ms. Pressley		X	
Mr. Horsford		X	
Ms. Tlaib		X	
Mr. Torres		X	
Ms. Garcia		X	
Ms. Williams (GA)		X	
Mr. Nickel		X	
Ms. Pettersen		X	

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.J. Res. 127 is to rescind the SEC's rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors."

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

H.J. Res. 127, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Securities and Exchange Commission relating to "The Enhancement and Standardization of Climate-Related Disclosures for Investors"

As ordered reported by the House Committee on Financial Services on April 17, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	0
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	*	*	*

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	*	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between -$500,000 and $500,000.

H.J. Res. 127 would disapprove a final rule published by the Securities and Exchange Commission (SEC) in March 2024.[1] By invoking a legislative process established in the Congressional Review Act, the resolution would repeal the rule and prohibit the agency from issuing the same or any similar rule in the future.

The rule requires public companies that are subject to the SEC's reporting requirements to disclose material risks from climate-related effects on the company's financial condition.

CBO estimates that repealing the rule would have an insignificant effect on the SEC's costs. Because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO ex-

[1] Securities and Exchange Commission, "The Enhancement and Standardization of Climate-Related Disclosures for Investors," Final Rule, 89 *Fed. Reg.* 21688 (March 28, 2024), https://tinyurl.com/3zxsjsp9.

pects that the net effect on discretionary spending over the 2024–2029 period would be negligible, assuming appropriation actions consistent with that authority.

CBO also expects that repealing the rule could reduce civil monetary penalties that the SEC may seek against individuals and companies that violate the disclosure requirements of the rule. Civil monetary penalties are recorded as revenues in the federal budget. CBO expects that companies would generally comply with the requirements in that rule and thus any reduction in civil monetary penalties under the bill would be insignificant over the 2024–2034 period.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

PHILLIP L. SWAGEL,
Director, Congressional Budget Office.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

FEDERAL MANDATES STATEMENT

Pursuant to section 423 of the Unfunded Mandates Reform Act, the Committee adopts as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursu-

ant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

This Joint Resolution disapproves the rule submitted by the Securities and Exchange Commission relating to "The Enhancement and Standardization of Climate-Related Disclosures for Investors" and asserts that such rule shall have no force or effect.

MINORITY VIEWS

H.J. Res. 127 is a Congressional Review Act ("CRA") resolution that would nullify the U.S. Securities and Exchange Commission's (the "SEC" or "Commission") rule to enhance and standardize climate-related disclosures for investors, which was recently finalized on March 6, 2024. While the final rule is narrower than the rule as originally proposed, it represents a meaningful first step in standardizing climate-related disclosures for public companies, and if overturned would do significant investor harm.

Since their inception over 90 years ago, U.S. securities laws have required public companies to disclose material information to their investors in order to allow investors to make sound decisions with their hard-earned dollars. However, current SEC rules provide limited guidance on what climate-related information these companies must provide. Many companies recognize that such information is important to investors and disclose various climate-related data points. Due to a lack of standardization from the SEC, however, there are considerable differences across public companies which makes it difficult for investors to compare such information. For several years now, investors in publicly traded companies and investment funds have increasingly requested the disclosure of standardized and reliable data regarding environmental-related factors. Just in 2023 alone, investors, asset managers, and banks with $136 trillion assets under management requested thousands of companies disclose climate-related information to help inform their investing and voting decisions.

In response to this overwhelming investor and industry demand for standardized climate-related information—and after receiving tens of thousands of public comments—the SEC voted earlier this spring to finalize its climate disclosure rule. According to Ceres Accelerator for Sustainable Capital Markets, although the final rule is narrower than the original proposal, on the whole, it will benefit investors in several key ways.[1] First, the status quo is costly for investors. Institutional investors already spend $1.4 million per year on average to collect, analyze, and report climate data to their investors, which is more than 2.5 times the average annual cost ($533,000) companies pay to voluntarily disclose this data.[2] Second, the status quo is problematic for public companies. It can be challenging for companies to determine which voluntary reporting frameworks to use, and discrepancies and inconsistencies among the frameworks can result in misleading disclosures which may confuse and even harm investors.[3] Third, the status quo does not allow for comparability between companies' disclosures, which is

[1] Ceres Accelerator for Sustainable Capital Markets, Overview: U.S. Securities and Exchange Commission's Proposed Rule on Climate Disclosure (accessed Jun. 20, 2024).
[2] *Id.*
[3] *Id.*

what investors need when making portfolio-wide capital allocation decisions.[4]

Additionally, the standardization and reliability of climate information brought about by the rule will also provide investors with the following benefits, per Ceres.[5] Emissions data will enable investors to better understand individual companies' short- and long term exposure to climate risks and the potential ensuing financial and performance-related impacts that may come with them.[6] In addition, investors can use emissions data to better inform their purchasing decisions and portfolio construction, risk management, as well as their (or their proxy's) decisions on how to vote on proposals that influence the direction of the corporation.[7] By nullifying the climate rule, H.J. Res. 127 would eliminate these benefits for investors.

The SEC's climate rule was purposely drafted to comport with Republican's prior views of the SEC's authority to require disclosures. A key premise of the SEC's final rule is that public companies only need to disclose the climate-related information specified in the rule *if the company itself* determines such information to be "material" to its investors. This came after nearly three years of consideration and a lengthy comment period which saw thousands of investors confirm that climate-related information is important with respect to their investment decisions. Consistent with this extensive feedback as well as Supreme Court precedent around the definition of materiality—the Commission's final climate rule stated that, "as with other materiality determinations under the Federal securities laws . . . the guiding principle for [a climate-related] determination is whether a reasonable investor would consider the disclosure of an item of information . . . important when making an investment or voting decision or such a reasonable investor would view omission of the disclosure as having significantly altered the total mix of information made available." Notably, this standard is also in line with the standard laid out in the 117th Congress by Rep. Bill Huizenga—the author of this resolution—in his "Mandatory Materiality Requirement Act of 2022" (the "MMRA"). Much like the final climate rule, the MMRA would have limited new SEC disclosure requirements to cases where "the Commission expressly determines that there is a substantial likelihood that a reasonable investor of the issuer would consider the information disclosed to the Commission under the requirement to be important with respect to an investment decision regarding the issuer." The slight difference in this case, which actually makes the final rule more company-friendly and less burdensome than the regime envisioned by the MMRA, is that with the climate rule the company *rather than the SEC* gets to make the final materiality determination.

The following is a brief selection of the thousands of groups that previously wrote to the SEC in support of the Commission's origi-

[4] Ceres Accelerator for Sustainable Capital Markets, Overview: U.S. Securities and Exchange Commission's Proposed Rule on Climate Disclosure (accessed Jun. 20, 2024).
[5] *Id.*
[6] Ceres Accelerator for Sustainable Capital Markets, Overview: U.S. Securities and Exchange Commission's Proposed Rule on Climate Disclosure (accessed Jun. 20, 2024).
[7] *Id.*

nal climate disclosure rule proposal or the principles underlying the proposal:

Nonprofit Organizations (General): Americans for Financial Reform; Better Markets; Ceres Accelerator for Sustainable Capital Markets; Public Citizen; Union of Concerned Scientists; Alliance to Save Energy; American Sustainable Business Council; Business for Social Responsibility; Center for Climate and Energy Solutions; Earth Action, Inc.; Environmental Defense Fund; Environmental Protection Network; Governance Institute; Green America; Innovation Network for Communities; Institute for Market Transformation (IMT); Natural Resources Defense Council; World Business Council for Sustainable Development; Climate Emergency Fund; Citizens Energy Corporation; Catholic Divestment Network; United Nations Foundation; Evergreen Action; Ocean Conservancy; Sierra Club; The Sunrise Project; Accelerate Neighborhood Climate Action; Accountability Counsel; Action Center on Race and the Economy; Amazon Watch; American Federation of Teachers; Businesses for a Livable Climate; CatholicNetwork US; Center for International Environmental Law; Citizen's Alliance for a Sustainable Englewood; Climate Finance Fund; Climate First!, Inc.; Community for Sustainable Energy; Earth Action, Inc.; Earthjustice; Earthworks; Endangered Species Coalition; Friends of the Earth US; Green America; GreenFaith; Institute for Agriculture and Trade Policy; League of Conservation Voters; Mental Health & Inclusion Ministries; National Sustainable Agriculture Coalition; People's Action; Positive Money US; Private Equity Stakeholder Project; Publish What You Pay—US; Rainforest Action Network; RapidShift Network; Save EPA (former employees); Service Employees International Union; Small Business Alliance; Social Value US; Spirit of the Sun, Inc.; Stand.earth; System Change Not Climate Change; The Green House Connection Center; The Greenlining Institute; The Revolving Door Project; Transformative Wealth Management, LLC; Wall of Women; Wallace Global Fund; Waterway Advocates.

Asset Managers: Ariel Investments; Boston Common Asset Management; Clean Energy Ventures (CEV); ClearBridge Investments; Rockefeller Asset Management; Steinberg Asset Management, LLC; Sustainable Insight Capital Management; Terra Alpha Investments LLC; Loring, Wolcott & Coolidge; Trillium Asset Management; Zevin Asset Management.

State-level Investors: California State Teachers Retirement System (CalSTRS); New York State Common Retirement Fund; Oregon State Treasury Minnesota State Board of Investment; Connecticut Office of the State Treasurer; Illinois State Treasurer Michael Frerichs.

State and Regional-affiliated Nonprofits: 350 Colorado; 350 Conejo / San Fernando Valley; 350 New Orleans; 350 Seattle; 350 Silicon Valley; Call to Action Colorado; Climate Reality Montgomery County; CO Businesses for a Livable Climate; Connecticut Citizen Action Group; Elders Climate Action Maryland; Greater New Orleans Housing Alliance; I–70 Citizens Advisory Group; Southwest Organization for Sustainability; Unite North Metro Denver.

For these reasons, we oppose H.J. Res. 127.

Sincerely,

MAXINE WATERS,
Ranking Member.
NYDIA M. VELÀZQUEZ,
BRAD SHERMAN,
GREGORY W. MEEKS,
DAVID SCOTT,
STEPHEN F. LYNCH,
AL GREEN,
EMANUEL CLEAVER II,
JIM HIMES,
BILL FOSTER,
JOYCE BEATTY,
JUAN VARGAS,
SEAN CASTEN,
AYANNA PRESSLEY,
RASHIDA TLAIB,
SYLVIA R. GARCIA,
NIKEMA WILLIAMS,
Members of Congress.

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