



# The Real Estate Roundtable

## Corporate Sustainability Disclosures

### Energy

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## Summary

Regulations in the U.S. and abroad seek to require companies to publicly disclose climate-related risks on their finances, operations, and assets. Some of these rules are proving more durable than others. While the Trump administration has rescinded Biden-era federal climate disclosure rules from the Securities and Exchange Commission (SEC), state governments and international regulators are advancing reporting regimes that could have major implications for U.S. real estate companies.

## Key Takeaways

- Scope 3 emissions—such as tenant energy use or embodied carbon in building materials—**are not under the direct control of real estate owners and should remain voluntary**.
  - The SEC's climate disclosure rule is on hold and not expected to advance during the current administration.
  - California's climate disclosure laws (S.B. 253 and S.B. 261) will begin taking effect in 2026, requiring large companies doing business in California to report emissions and climate-related financial risks.
  - The European Union has postponed compliance dates for its Corporate Sustainability Reporting Directive (CSRD) and has narrowed its scope substantially. In February 2025, the European Commission adopted a package to apply the CSRD only to the largest companies (more than 1000 employees), and to lessen Scope 3 reporting requirements on emissions from smaller companies in a reporting company's value chain. Large U.S. companies with EU operations may still face disclosure requirements when the CSRD goes into full effect.
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## Background

### Federal, State, and International Rules

- Emissions are generally defined under three categories—Scope 1, 2, and 3 emissions.
  - Scope 1 emissions are direct emissions from sources owned or controlled by a company, such as boilers or vehicles.
  - Scope 2 emissions are indirect emissions from purchased electricity, steam, heating, or cooling consumed by the company.
  - Scope 3 emissions include all other indirect emissions in a company's value chain, such as emissions from suppliers, tenants, and the production of building materials.
- Biden-era rules from the [SEC](#) would have required registered companies to disclose “material” climate-related financial risks in 10-K filings. This included Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions. Scope 3 disclosures were part of a draft rule but ultimately not included in the final rule.
- The Trump administration has withdrawn the Biden-era rule.
- A vacuum of federal climate reporting rules means “progressive” states are taking up the issue.
  - California enacted [S.B. 253](#) and [S.B. 261](#) in 2023. S.B. 253 requires companies doing business in California with annual revenues greater than \$1 billion to report global Scope 1, 2, and 3 emissions, with disclosures ramped up over time. S.B. 261 requires California businesses with annual revenues greater than \$500 million to more generally disclose climate-related financial risks and measures to mitigate them.
  - The California Air Resources Board (CARB) is now developing rules to implement both laws, with filings scheduled to start in 2026. CARB has vowed to relax enforcement regarding the first Scope 1 and 2 reports under S.B. 253 only, currently due in 2026.



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- Similar bills have been introduced—though not enacted, and not in effect—in [Colorado](#), [Illinois](#), [New Jersey](#), [New York](#), and [Washington](#) state. Please do not consider this an exhaustive list.
- The European Commission recently [announced](#) simplified requirements under its Corporate Reporting Sustainability Directive ([CRSD](#)). The latest announcement reportedly removes 80 percent of companies from the CRSD’s regulatory scope and limits the types of information large companies and banks must request from smaller companies in their supply chains regarding Scope 3 emissions.
- In its original form, CRSD would apply broadly to U.S. companies with EU subsidiaries and U.S. companies with listed securities on EU exchanges. The European Parliament has [delayed](#) CRSD implementation by two years (until June 2026) to give companies more time to prepare.

## Recommendations

**Clarify Emissions Reporting Boundaries:** Real estate companies do not control most Scope 3 emission sources, thus they should not be mandated to publicly report these emissions. Disclosure should remain voluntary.

- Owners and developers do not control operations in tenant spaces or manufacturing processes for construction materials.
- Reporting requirements should reflect these operational boundaries and not penalize real estate companies for emissions outside their control.

**Improve Data Access for Voluntary Scope 3 Reporting:** Policymakers can encourage voluntary Scope 3 reporting by helping building owners and developers capture valid and reliable data from supply chain sources.

- Governments should develop policies for utilities to provide building owners with tenant space energy data.
- Similarly, government agencies should create a uniform system of “product declarations” for manufacturers to disclose embodied carbon in materials purchased by developers and owners.

**Align Reporting Timelines Across Jurisdictions:** Any reporting cycles should be consistent across varying disclosure regimes, based on when companies collect and verify valid climate-related data within a fiscal year.

- No framework should require companies to issue a first report based largely on estimates, and then another report later based on collected and verified data, within the same fiscal year.