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ESG: Risk, Litigation, and Reporting Update January 29, 2026

Gibson Dunn ESG: Risk, Litigation, and Reporting Update

We are pleased to provide you with Gibson Dunn's ESG Risk, Litigation, and Reporting update covering the following key developments during December 2025. Please click on the links below for further details.

I. GLOBAL

1. **International Sustainability Standards Board (ISSB) issues amendments to greenhouse gas (GHG) emissions disclosure requirements**

On December 11, 2025, the ISSB issued amendments to GHG emissions disclosure requirements in IFRS S2 Climate-related Disclosures, which are effective for reporting periods beginning on or after January 1, 2027. These amendments were made in response to feedback received from the ISSB's consultation on proposed amendments last Spring and are intended to provide relief and clarification to companies on their GHG emissions reporting. According to ISSB, the amendments: "clarify that an entity is permitted to limit measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions as defined in IFRS S2; permit the use of alternative classification systems—beyond the Global Industry Classification Standard—to disaggregate information about financed emissions; clarify the availability of the jurisdictional relief from using the GHG Protocol Standard, if only part of an entity is required to use a different method for measuring GHG emissions; and introduce a jurisdictional relief from using global warming potential values from the latest IPCC Assessment Report for converting GHG emissions."

II. UNITED KINGDOM

1. **The UK Government publishes its response to the Joint Committee on Human Rights (JCHR) report on forced labour in supply chains**

On December 16, 2025, the Independent Anti-Slavery Commissioner (IASC) published its report on strengthening the UK's forced labour and human rights legislative framework. The IASC's report follows the JCHR's July 2025 report on forced labour in UK supply chains, which confirmed that goods produced or part-produced with forced labour are being imported and sold to consumers in the UK (see our previous alerts on this here and here) and the subsequent response by the UK Government (see our previous alert here). The IASC report proposes a legislative bill following consultation with various organizations, including businesses and trade unions, that would introduce both civil and criminal liabilities for failing to prevent serious human rights harms for relevant organizations (i.e., businesses with at least a total turnover of £376 million) where they have failed to take reasonable measures to prevent such harms, including appropriate human rights due diligence. A "human rights harm" is defined as "an adverse impact that removes or reduces the ability of a natural person to enjoy a right" contained in one of the international human rights treaty provisions to which the UK is a party (listed in the schedule to the bill), and such harm is determined to be "serious" based on all relevant circumstances, including the "scope, scale and remediability of the harm." The bill also includes a ban on the exporting or importing, or making available on the UK market, any "forced labour products" (i.e., products made or transported using forced labour) with financial penalties for those who breach such restrictions and a new annual human rights reporting obligation in replacement of current reporting requirements under section 54 of the Modern Slavery Act 2015.

2. **The Employment Rights Bill 2024 receives Royal Assent to become the Employment Rights Act 2025**

On December 18, 2025, the Employment Rights Bill 2024 received Royal Assent to become the Employment Rights Act 2025 (ERA 2025). The ERA 2025 will be delivered in multiple phases across a two-year period in accordance with the UK Government's implementation roadmap to give employers time to plan and prepare for the reforms. It is expected that the typical commencement dates of April 6 and October 1 will be used to commence the majority of the regulations implementing the ERA 2025, with the first reforms coming into force on April 6, 2026, namely the launch of the Fair Work Agency enforcement body and "day one" rights to statutory sick pay and paternity leave. Other reforms will continue to be the subject of consultation.

Other highlights:

- On December 18, 2025, the UK Government published the Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 and its explanatory memorandum, which regulates ESG rating service providers by requiring them to be authorized and supervised by the Financial Conduct Authority.

III. EUROPE

1. **EU Deforestation Regulation (EUDR) formally adopted and enters into force**

Following the provisional political agreement reached earlier in December 2025, the Council of the EU and the European Parliament formally adopted the proposed amendments to the EUDR unchanged. Regulation (EU) 2025/2650 was published in the Official Journal on December 23, 2025 and has entered into force.

As a result, the application of the EUDR has been postponed by one year. Large- and medium-size operators and traders will now be required to comply with the EUDR as of December 30, 2026, while micro and small enterprises will become subject to the Regulation as of June 30, 2027. For a more detailed overview of the amendments, please see our previous client alert on this topic.

2. **EU taxonomy update: delegated act published following scrutiny period**

On January 8, 2026, following the expiry of the scrutiny period without objections from the European Parliament or the Council, the European Commission's technical revisions to the EU Taxonomy (adopted on July 4, 2025) have been published in the Official Journal of the EU. The amended delegated act applies to the 2025 financial year, with companies given the option to apply the changes one year later. In addition, the European Commission published draft Q&As providing practical guidance on the implementation of the delegated act. For further details on the substance of the revisions, please see our previous client alert.

Separately, the European Commission has initiated a broader review of the EU taxonomy framework, starting with a public consultation on potential further revisions to the technical screening criteria and Do No Significant Harm requirements. Based on this process, additional amendments to the taxonomy framework are expected to be proposed by the end of the second quarter of 2026.

Other highlights:

- The European Commission announced a first set of pilot measures to advance the EU's circular economy agenda, including initiatives on plastics recycling and preparatory work for a future Circular Economy Act expected in 2026.
- An overview of the current transposition status of the Corporate Sustainability Reporting Directive into national laws and the "Stop-the-Clock" process under the Omnibus Simplification Package can be found here.

IV. NORTH AMERICA

1. U.S. Department of the Interior announces the immediate pause of leases for large-scale offshore wind projects

On December 22, 2025, the U.S. Department of the Interior announced the immediate pause of all large-scale offshore wind projects, citing national security risks identified by the Department of Defense in classified reports. The announcement states that the "pause will give the Department, along with the Department of Defense and other relevant government agencies, time to work with leaseholders and state partners to assess the possibility of mitigating the national security risks posed by these projects." The risks, described as "inherent to large-scale offshore wind projects," include radar interference caused by the turbine blades, which can lead to both false targets and the concealment of legitimate targets. The announcement impacts five leases in the Atlantic Ocean spanning from Virginia to Massachusetts, representing a reported nearly six gigawatts of potential energy production.

Following the December 22, 2025 announcement, the New York Attorney General filed two lawsuits challenging the legality of the pause and seeking a preliminary injunction. The New York Attorney General's announcement argues that "these orders are arbitrary and unwarranted, as both projects underwent years of extensive national security and safety reviews, and pausing these projects could threaten New York's economy and energy grid." On January 12, 2026, a U.S. District Court granted an injunction against the enforcement of a stop work order in a separate lawsuit involving one of the wind projects.

The Department of Interior's announcement follows a Massachusetts federal court decision on December 8, 2025 that vacated an executive memorandum issued in January 2025 regarding offshore wind permits, ruling that the memorandum was "a final agency action that is arbitrary and capricious and contrary to law." The executive memorandum directed federal agencies to suspend issuing "new or renewed approvals, rights of way, permits, leases, or loans for onshore or offshore wind projects pending the completion of a comprehensive assessment and review of Federal wind leasing and permitting practices."

2. New York State Department of Environmental Conservation (DEC) finalizes regulations requiring mandatory GHG emissions reporting

On December 1, 2025 the DEC finalized regulations establishing a mandatory GHG emissions reporting program. Entities required to report their annual GHG emissions under the program include, among others, certain facilities located within New York (such as electricity generation, landfills, and other infrastructure), waste haulers and transporters, and anaerobic digesters and liquid waste storage, each of which must meet a certain threshold of emissions, plus fuel suppliers (including natural gas, liquid fuels, petroleum products, and coal), electric power entities, and suppliers of agricultural lime and fertilizer, regardless of emissions levels. In addition to meeting the monitoring and reporting requirements, Large Emission Sources, as defined in the regulation to cover entities that exceed certain thresholds for emissions, must obtain third-party verification from DEC-accredited verifiers by December 1, 2027. Certain entities must also submit an Emissions Monitoring and Measurement Plan by September 1, 2026 or a Large Emission Source GHG Monitoring Plan by December 31, 2026. In-scope entities will be required to submit an annual emissions data report electronically via the New York State Greenhouse Gas Reporting Tool beginning June 1, 2027 for the prior calendar year.

3. **The Canadian government selected the Canadian Climate Institute (CCI) to lead the development of a new sustainable investment taxonomy**

On December 18, 2025, the Department of Finance Canada announced its selection of the CCI to develop a new sustainable investment taxonomy for the country, with the goal of "promot[ing] sustainable finance and accelerat[ing] the flow of private capital into sustainable activities across priority economic sectors." CCI is a climate change policy research organization that "produces rigorous analysis, economic modelling, and in-depth research on policy solutions to help Canada reduce greenhouse gas emissions, adapt to the effects of climate change, and compete and prosper in the global energy transition." The CCI will collaborate with Business Future Pathways, an investor-led initiative, in developing the taxonomy.

The taxonomy will be a voluntary market tool to be used by financial institutions, corporations, and investors that identifies "green" and "transition" investments in general alignment with other frameworks around the world. Development will be led by a new independent Taxonomy Council, which will oversee teams of advisory and working groups with academic, climate science, financial, and civil expertise. Investment guidelines are targeted for completion for three priority sectors by the end of 2026 and for three additional priority sectors by Fall 2027. The priority sectors will be determined in consultation with government, industry, and other stakeholders based on "where taxonomy guidance has the greatest potential to deliver emissions reductions and promote low-carbon competitiveness in the Canadian economy." The Department of Finance also stated that the government "remains committed to regular green bond issuances and will explore the development of a Sustainable Bond Framework that will align with made-in-Canada sustainable investment guidelines to incorporate economic sectors as the taxonomy is being developed."

Other highlights:

- On December 19, 2025, the U.S. Treasury Department and Internal Revenue Service issued guidance providing a safe harbor for taxpayers seeking to claim a tax credit for carbon capture and sequestrations during the 2025 calendar year. The safe harbor responds to the Environmental Protection Agency's (EPA) proposed repeal of the Greenhouse Gas Reporting Tool and, if the EPA doesn't release this tool by June 10, 2026, permits the use of a qualified independent geologist or engineer to certify compliance with requirements in effect on December 31, 2025.

In case you missed it…

- On January 19, 2026, the Texas Attorney General published a legal opinion addressing the legality of private-sector corporate DEI programs and public-sector programs in Texas. For more details, see our client alert here.

- On December 11, 2025, the U.S. Environmental Protection Agency unveiled a webpage with Clean Air Act guidance and resources as part of an effort to aid and speed the approvals needed for data centers and artificial intelligence development. For more details, see our client alert here.
- The Gibson Dunn Workplace DEI Task Force has published its updates summarizing the latest key developments, media coverage, case updates, and legislation related to diversity, equity, and inclusion.
- A collection of our analyses of the legal and industry impacts from the presidential transition is available here.

V. APAC

1. **Australian Securities and Investments Commission (ASIC) and Australian Accounting Standards Board (AASB) release educational modules on sustainability reporting**

On December 15, 2025, the ASIC, in collaboration with the AASB, launched educational modules aimed at supporting companies in understanding and applying the foundational concepts behind the sustainability reporting requirements under the Corporations Act 2001. This initiative reflects Australia's ongoing commitment to enhancing transparency and accountability in corporate sustainability reporting. The modules are designed to help businesses determine their reporting obligations and navigate the evolving landscape of sustainability disclosures. By providing practical guidance and clarifying compliance expectations, ASIC and AASB aim to ensure that businesses of all sizes can meet regulatory requirements while aligning with global sustainability standards.

Read More

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