

Is G7 Support for ISSB Climate Reporting Standards a Sign That Scope 3 Emission Disclosures Will Soon Be Required in U.S.?

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At their meeting in Japan this past weekend, the Group of Seven (G7) – the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom – committed to working toward net zero circular economies and voiced their support for the International Sustainability Standards Board's (ISSB) sustainability and climate-related corporate reporting standards.

In the [G7 Hiroshima Leaders' Communique](#) issued at the close of the meeting on May 20, G7 leadership stated: "We commit to realizing the transformation of the economic and social system towards net-zero, circular, climate-resilient, pollution-free and nature-positive economies and to halting and reversing biodiversity loss by 2030, in an integrated manner, while ensuring sustainable and inclusive economic growth and development and enhancing the resilience of our economies."

The communique also endorsed the ISSB's sustainability and climate-related disclosures without reservation, saying:

"We support the International Sustainability Standards Board (ISSB) finalizing the standards for general reporting on sustainability and for climate-related disclosures and working toward achieving globally interoperable sustainability disclosure frameworks. We also look forward to the ISSB's future work on disclosure on biodiversity and human capital, in line with its work plan consultation."

When approved by the ISSB in February 2023, these standards, which are expected to be issued in June 2023 and become effective in 2024, [put the spotlight on Scope 3 emissions disclosures in the U.S.](#) The final version of ISSB's inaugural standards includes disclosure of Scope 3 greenhouse gas emissions (indirect emissions that occur within a company's value chain, when material), in addition to Scope 1 (direct emissions from a company) and Scope 2 (indirect emissions from electricity purchased and used).

For the past year, potential requirements for disclosure of Scope 3 emissions in the U.S. have become one of the most hotly disputed aspects of the [SEC's proposed climate-related disclosure rule](#). Initially projected to be finalized in April 2023, the final SEC rule is not expected to be issued until this fall.

The ISSB's action to incorporate Scope 3 emission disclosure requirements, [backed by](#) the G20, International Organization of Securities Commissions (IOSCO), the Financial Stability Board, African Finance Ministers, and Finance Ministers and Central Bank Governors from over 40 jurisdiction, had already ratcheted up the global pressure on the U.S. to follow suit. This most recent communique from G7 leadership – including that of the U.S. – leaves little doubt that Scope 3 disclosure requirements in the U.S. are moving from the realm of “if” toward “when.”

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