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REPEAL OF THE GREENHOUSE GAS ENDANGERMENT FINDING

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In February 2026, the U.S. Environmental Protection Agency (EPA) finalized a rule rescinding the Endangerment Finding, the official U.S. Federal level declaration that determined CO₂ and other greenhouse gases (GHGs) as a public health threat. It serves as the legal foundation for nearly all federal climate regulation under the Clean Air Act of 1963 (Clean Air Act) and is supported by long-standing science and years of federal court rulings. At the same time, the administration announced a two-year delay of a Biden-era rule restricting GHG emissions from cars and light trucks, alongside changes affecting incentives for certain vehicle technologies.

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The decision marks a significant shift in U.S. climate policy — introducing new considerations for investors navigating regulatory risk, portfolio exposure, and long-term climate risk mitigation.

The Clean Air Act empowers the EPA to regulate air pollutants that endanger public health and welfare. As a result of the repeal, the agency no longer has its primary legal authority under the Clean Air Act to regulate GHG emissions from fossil fuel extraction, combustion, and related activities. It's important to note that the repeal does not eliminate the EPA's authority to regulate other air pollutants, such as ozone or nitrous oxide. The change is narrowly focused on greenhouse gases.

The immediate effect of the repeal is regulatory rollback — but the longer-term impact is greater legal and policy uncertainty as the U.S. diverges not only from global markets, but from state-level authority to regulate GHG emissions. It's important to note that the federal repeal does not eliminate state-level authority to regulate GHG emissions under state law.

At the federal level, emissions standards for vehicles, power generation, and industrial sources that relied directly on the Endangerment Finding are no longer enforceable. However, this does not eliminate climate-related risk for companies. Instead, it shifts where and how that risk may materialize.

Several dynamics are particularly relevant for investors:



- **Regulatory fragmentation:** The repeal widens the policy gap between the U.S. and other major markets, such as the EU, where climate regulation continues to tighten. Within the U.S., it increases divergence between federal and state-level approaches. Companies will be pressured to navigate a fragmented climate regulatory market where international policy, state regulations, and investors' priorities are divergent, which may also result in increased costs due to complicated supply chain and climate-related reporting.
- **Rising legal risk:** Environmental organizations, states, and public health groups have already announced legal challenges. On February 18, a coalition of public health and environmental organizations including the American Public Health Association and Environmental Defense Fund filed lawsuits against the repeal. Future administrations would need to restart a lengthy scientific and legal process to reinstate federal GHG regulation, likely facing prolonged litigation.
- **Litigation and disclosure exposure:** Federal requirements may be reduced in the near term, which may increase state-driven policy. EPA's decision did not take away any state authority to address climate change. States still retain their own authorities to protect their own environment and to regulate in-state activities that produce GHG emissions. Except for vehicle emission standards, states are generally not preempted from adopting air pollution standards more stringent than federal requirements. Several states have previously enacted legislation or regulations that mirror the Endangerment Finding, including California, New York, New Jersey and Illinois.

The repeal has the most immediate impact on automotive regulation, as vehicle emissions standards were explicitly built on the Endangerment Finding. Manufacturers are no longer required to measure, control, or report greenhouse gas emissions from vehicles, including model years already in production.

The effect of the repeal eliminates all GHG emission standards for cars and trucks. The broader impacts could affect regulations on stationary sources such as utilities & power plants, oil & gas facilities, industrial manufacturing, and aircraft emissions. This increases uncertainty impacting decisions on vehicle manufacturing, industrial facilities, and energy infrastructure.

For investors, the repeal reinforces the importance of maintaining a practical, long-term perspective on climate-related risks and opportunities. While near-term federal regulatory requirements may be reduced, underlying transition, legal, and market risks remain material for long-term value creation. Northern Trust Asset Management's Stewardship and

Sustainable Investing team will continue to monitor regulatory developments and engage with investee companies and other key stakeholders to assess how the repeal may influence corporate strategy, capital allocation decisions, and climate-related disclosure and reporting trends. We believe ongoing engagement on mid- and long-term decarbonization strategies, governance, and transparency remains an important component of effective risk oversight in an increasingly fragmented policy environment.

Who to contact for further questions?

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