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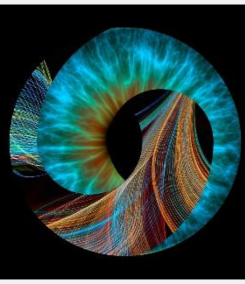

Sustainability Insight – unravelling regulatory complexity

Key policy and regulatory developments: February 2025

Sustainability Insight is designed to keep you up to date with the key emerging sustainability-related regulatory developments.

The newsletter is produced by Deloitte's EMEA Sustainability Regulation Hub, supported by RegMiner.ESG, Deloitte's market-leading digital compliance platform.

Upcoming webinar

- Join our webinar on 8 April to explore the European Commission's sustainability omnibus package. We'll delve into the package's key components and analyse their implications for companies. Register here.

The information in this newsletter is organised into three sections: **key developments** highlight the most significant updates and their impact on companies. **Other developments** include additional news items that may be of interest. **Key timelines** provide the timing of recent events and announcements to help readers quickly grasp important regulatory events.

Key developments

European Commission publishes package of major sustainability regulation reforms, 26 February

The package aims to streamline requirements in the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), EU Taxonomy Regulation and the Carbon Border Adjustment Mechanism (CBAM).

Key reforms:

- **CSRD:** the reporting timelines are pushed out by two years (to 2028) for wave 2 and 3 companies only and the reporting requirements now only fall on the largest companies (over 1,000 employees and with either a net turnover exceeding EUR 50 million or a balance sheet total exceeding EUR 25 million). Remaining reporting companies would not be permitted to request information from entities in the value chain with fewer than 1000 employees beyond the information specified in the voluntary standard.
- **CSDDD:** the application of the rules has been delayed by one year to 2028. The scope of due diligence is now limited to a company's own operations, subsidiaries and direct business partners in their chain of activities, while other aspects of the due diligence requirements have been simplified. The transition plan requirement has been aligned with the CSRD.
- **Taxonomy Regulation:** sustainability reporting under Art. 8 is voluntary for certain large companies (within the future scope of the CSRD with over 1,000 employees, but below net turnover EUR 450 million). The Commission has also proposed simplifying reporting templates to reduce data points, and simplifying the Do No Significant Harm criteria.

Commenting on the publication of the reforms, the European Financial Reporting Advisory Group (EFRAG) Sustainability Reporting Board expressed a strong commitment to participate in the simplification process, emphasising the importance of a reliable and proportionate sustainability data environment to meet the EU's sustainable development and finance goals.

What happens next?

The Commission's proposal needs to be discussed by and agreed with the Council of the EU and European Parliament (trilogues). While a swift agreement on timelines is anticipated, the overall package may require 9-12 months for finalisation, followed by a 12-month transposition period, except for timeline changes applicable by end-2025.

For more detail about the proposal, please see here.

European Commission publishes the Clean Industrial Deal, 26 February

The Deal aims to bring together climate action and competitiveness under one growth strategy, accelerating decarbonisation, reindustrialisation, and innovation and supporting Europe's resilience. Focusing on energy-intensive industries (EIIs) and the clean tech sector, the Deal contains over 30 initiatives, including legislative acts, revisions of existing legislation, recommendations, plans and guidelines, which will be progressed throughout 2025 and 2026. Key elements include financial support, regulatory streamlining, and an emphasis on circularity and securing access to critical raw materials. To supplement the proposals, the Commission also published the Action Plan for Affordable Energy and the Omnibus II Regulation on Investment Simplification.

Implications for companies

While designed to simplify the regulatory landscape, the upcoming wave of sustainability and industrial proposals demands careful attention from companies to capitalise fully on emerging opportunities. Companies should proactively monitor the evolving funding landscape, particularly in 2025, and explore strategic partnerships with technology providers, research institutions, industry peers, and financial institutions to strengthen funding applications in a competitive environment.

Other developments

Countries conclude resumed COP16 negotiations, 27 February

Countries reconvened to resume negotiations on COP16 in Rome. The UN global biodiversity summit took place in Colombia last year but concluded without consensus on several issues. Key outcomes from the resumed negotiations include:

- **Strategy for Resource Mobilisation post-2030: countries adopted** a global roadmap for financing biodiversity conservation beyond 2030. It includes a range of financial instruments, mechanisms and institutions.
- **Monitoring and Review Mechanisms Established:** countries reached an agreement on a monitoring framework and procedures for how countries will measure their progress towards the individual targets of the Global Biodiversity Framework.
- **Cali Fund Launched:** the Cali Fund (a mechanism which allows companies to make voluntary contributions if they use digitally accessed genetic resources in their products) was launched. Companies and business groups have been contacted to discuss paying into the fund.

The next UN biodiversity conference, COP17, will take place in 2026 in Armenia.

Commission publishes policy roadmap for the agri-food sector, 19 February

The Commission unveiled its Vision for Agriculture and Food, outlining a roadmap for the EU's agri-food sector leading up to 2040. The Vision serves as a blueprint for the Commission's work across policy areas related to agriculture and food throughout its current mandate (2025-2029). Key sustainability elements include:

- **Reform the Common Agricultural Policy**: incentivise sustainable farming practices, prioritise support for active food producers, and streamline processes for greater accessibility and flexibility.
- **Introduce a voluntary benchmarking system:** assess and compare on-farm sustainability practices, simplifying reporting requirements for farmers and enabling them to demonstrate their sustainability progress.
- **Optimise public funding:** de-risk private capital (through collaboration with the European Investment Bank) and diversify farm income streams through initiatives, such as carbon farming, nature credits and renewable energy.

G20 South Africa, Agenda priorities 2025, 20 February

The Sustainable Finance Working Group under South Africa's G20 Presidency published its priority agenda for the finance workstream in 2025. Recognising the urgent need to scale up financing for climate action, the group identified three key priorities:

- **Strengthening the global sustainable finance framework:** address issues in reporting, eligibility criteria, and capacity across vertical climate and environmental funds, multilateral development banks, and national development banks.
- **Increasing funding for climate adaptation and just transitions:** identify barriers such as climate risk pricing and policy gaps.
- **Enhancing the effectiveness of carbon markets:** improving market mechanisms to attract investment in low-carbon transitions, particularly in emerging markets and developing economies.

Statutory advice on the UK's emission reductions between 2038 and 2042, 26 February

The Climate Change Committee (CCC) published its statutory report providing advice to the UK Government on the level of the Seventh Carbon Budget (2038 to 2042) and policy recommendations to achieve the emissions reduction. The CCC recommends a Seventh Carbon Budget of 535 $MtCO_2e$ for 2038-2042, which is 87% lower than levels in 1990 The recommended pathway prioritises electrification and low-carbon electricity, with these sources making up 60% of emissions reductions by 2040. The CCC highlights the need to leverage private sector innovation and implement government policies to drive the adoption of electric vehicles, heat pumps, and renewables. The report emphasises the importance of clear long-term signals, decisive policy choices, and adaptation measures to address existing climate change impacts. The estimated net costs of the pathway would represent approximately 0.2% of UK GDP per year. The Government now has until 30 June 2026 to present a proposed level for the Seventh Carbon Budget to UK Parliament. Parliament will then determine whether to accept or reject the Government's proposal.

UK introduces energy performance reforms to privately rented homes, 7 February

The UK government announced plans to require private landlords to meet higher Minimum Energy Efficiency Standards (MEES) in their rented properties. Under the proposed rules, privately rented residential properties would have to achieve an Energy Performance Certificate (EPC) rating of C within a range from A (very efficient) to G (inefficient). Key details of the proposed reforms include:

- **Investment cap:** landlords would have a £15,000 per-property investment limit to meet the new energy efficiency standard. Reaching this cap grants a 10-year exemption.
- **Timeline:** EPC C required for new tenancies from 2028, all tenancies by 2030.
- **Existing ratings:** existing EPC C-rated properties remain compliant until the EPC expiry.

The consultation on the reforms closes on 2 May 2025.

Key timelines for upcoming initiatives

Carbon Border Adjust Mechanism (CBAM)	In the second half of 2025, the Commission will present a CBAM review report, followed by a legislative proposal in first half of 2026.
Critical Raw Materials Act (CRMA)	In Q1 2025, the Commission will publish the first Strategic Projects under the CRMA.
Clean Industry Deal State aid framework	By June 2025, the Commission will simplify existing State aid rules and introduce a new State aid framework.
Tax incentives	In Q2 2025, the Commission will publish a Recommendation to Member States on how to adopt tax incentives to support the Clean Industrial Deal.
InvestEU	In Q1, the Commission will propose an amendment to the InvestEU Regulation to increase the fund's risk bearing capacity.

Further reading

WWF published its fourth annual Sustainable Financial Regulations and Central Bank Activities report for 2024 in October. The report evaluates progress on the integration of climate, environmental and social risks into central banking as well as banking and insurance supervision activities. Key findings include:

- **Progress in Supervision:** climate-related measures in banking supervision increased by 18% from 2021-2024, with a similar trend (17%) in insurance since 2022.
- **High-Income Country Progress:** 20 of 29 high-income countries align with over 50% of climate supervision indicators for banking, but only 14 achieve this for nature-related indicators.

- **Nature Risk Challenges:** fulfilment of nature-related indicators is low, with 31 countries below 50% alignment on environmental indicators. This is particularly concerning for biodiversity hotspots.
- **Social Risk Shortcomings:** alignment with social criteria lags significantly, with only 32% alignment in banking supervision and 27% in insurance.

Sustainability Insight is a monthly newsletter to keep you up to date with key sustainability-related regulatory developments in the EU. The newsletter focuses on the EU Green Deal and EU institutions, but also includes selected international and national developments where they provide context for EU developments. The developments covered are intended to be used for broader general awareness and do not imply any form of advice from Deloitte.

Subscribe to the Hub's mailing list here.

About the EMEA Sustainability Regulation Hub

The EMEA Sustainability Hub is a source of critical regulatory strategy insight and advice, designed to help business leaders understand and assess how sustainability regulation will drive the evolution of business strategies and operating models. As sustainability regulatory requirements and standards expand, it is essential to adopt a strategic approach to navigate the complexity, and to engage with regulators proactively. We develop early insights across industries on emerging EU sustainability regulations, policies, industry standards and codes of conduct to help you assess how best to transform strategies and operating models.

About RegMiner.ESG

RegMiner.ESG helps firms to optimise the management of regulatory adherence. RegMiner is designed by risk and compliance professionals and helps firms establish traceability and transparency, transform how they manage thr risks, and achieve cost efficiencies by digitising the regulatory lifecycle into a single platform.

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