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Sustainability Insight – unravelling regulatory complexity

Key policy and regulatory developments: April 2025

Sustainability Insight is designed to keep you up to date with 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.

Recent publications

- EU 2025 Sustainability Regulation Outlook: unlocking competitiveness and growth. Our report analyses the European Commission's new priorities, and assesses the implications for companies' sustainability journeys, and the future direction of regulatory initiatives.
- What does the EU's shift toward competitiveness mean for companies in the green transition?

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 developments.

Key developments

European Commission takes action to simplify the implementation of the EU Deforestation Regulation, 16 April

The European Commission published updates to its guidance and Frequently Asked Questions on the EU Deforestation Regulation (EUDR), providing points of clarification and a limited number of targeted simplifications. These measures are intended to reduce the required due diligence documentation and provide greater clarity on how organisations should demonstrate that products are deforestation-free.

The Commission also launched a consultation on a new Delegated Act that clarifies the scope of the EUDR. The Act will make technical fixes to the list of relevant products in the legal text by clarifying the range of products not covered by the EUDR.

What are the implications for companies?

- **Continued focus on core requirements.** The core EUDR requirements and deadlines remain unchanged. Companies need to continue their implementation efforts, with the Regulatory application deadline approaching.
- **Increased clarity, yet still some remaining ambiguity.** The updated guidance clarifies aspects of how companies can demonstrate that products are deforestation-free, particularly for downstream operators and traders. While this reduces ambiguity in some areas, questions remain, for example, regarding the "legality requirement" for the country of production.
- **Resource optimisation.** Simplification of the requirements could enable companies to re-allocate resources targeted at implementation. For example, making group-level due diligence statements could ease the compliance burden for relevant entities.

UK Government publishes policy update on Carbon Border Adjustment Mechanism, 24 April

The UK government provided further detail about the upcoming UK Carbon Border Adjustment Mechanism (CBAM) by opening a consultation on the draft legislation. Key details include:

- **Re-affirmed implementation date**: CBAM is expected to apply from 1 January 2027.
- **Scope clarified:** CBAM will apply to businesses importing £50,000 or more of specified goods (aluminium, cement, fertiliser, hydrogen, iron, and steel)

within a rolling 12-month or projected 30-day period. Affected businesses must register, and meet ongoing compliance and accounting obligations.
- **Reporting periods defined:** CBAM reporting will occur quarterly, with payments due two months after each quarter end, except for an initial annual reporting period covering 2027.

The government intends to introduce the primary legislation for CBAM later this year.

What are the implications for companies?

- **New carbon costs:** from 2027, importers of the specified goods will face new costs based on embodied carbon emissions, calculated using verified or default values.
- **Administrative overhead:** importers exceeding the £50,000 threshold must register with HMRC, submit quarterly returns (after an initial annual return), maintain records, and manage emissions verification and carbon price relief processes. Companies face penalties for non-compliance.
- **Supply chain engagement:** importers need to engage proactively with suppliers to obtain emissions data and carbon pricing evidence. This will necessitate international collaboration and may lead to the need for investment in new systems or processes.

UK Government unveils plan to support carmakers, 7 April

The UK government announced changes to its Zero Emission Vehicle (ZEV) mandate to provide greater flexibility for vehicle manufacturers. Introduced in January 2024, the ZEV mandate requires vehicle manufacturers to increase ZEV sales year-on-year. The aim is to phase out the sale of new petrol and diesel cars by 2030.

Key changes to the ZEV mandate include:

- **Hybrid vehicles and new internal combustion engine (ICE) van sales extended to 2035.** Manufacturers are permitted to continue to sell new hybrid cars and vans, and new ICE vans until 2035.
- **Increased flexibility for manufacturers.** While key phase-out dates and targets have been retained (e.g., 28% ZEVs for cars and 16% for vans in 2025), manufacturers can now shift ZEV sales towards later years when demand is anticipated to be higher.
- **Exemptions for small manufacturers.** Small volume manufacturers are exempt from the ZEV mandate requirements, to support innovation and industry diversity.

What are the implications for companies?

- **Short-term market responsiveness vs. long-term decarbonisation goals.** The flexibility in ZEV targets and the extended timeline for hybrid vehicles and ICE vans allow manufacturers to adapt to current market demand. However, to the extent this approach delays the industry's transition to ZEVs it may hinder longer-term decarbonisation efforts.

- **Impact on investment and innovation.** The ZEV mandate's increased flexibility creates an opportunity for manufacturers to re-focus and sequence investments. At the same time, the extended timelines and increased flexibility risk slowing the pace of ZEV adoption.

Other developments

Commission publishes work program under Ecodesign for Sustainable Products Regulation (ESPR), 16 April

The Commission published the Work Program (WP) under the Ecodesign for Sustainable Products Regulation (ESPR). The ESPR sets ecodesign measures on products such as targets on recycled content, restrictions on substances of concern, and information requirements to increase transparency of a product's environmental impact. The WP sets out the priority product groups that will be the first to be regulated under the ESPR through secondary level rules or delegated acts (DAs), and outlines when the respective DAs will be published – a number of DAs will be published between 2026-2029. Textiles, furniture, tyres and mattresses have been included as priority products. Iron, steel and aluminium are identified as intermediate products.

Commission helps users to implement the restriction on microplastics under the EU chemical legislation, 2 April

The Commission published an explanatory guide to help companies and Member States implement the microplastics restriction under the Registration Evaluation Authorisation and Restriction of Chemicals (REACH) legislation. In force since October 2023, the restriction applies to microplastics intentionally added to products such as microplastic beads in cosmetic products. The guide outlines what type of microplastics are banned or restricted, and the transition period for implementation of the new rules.

Commission proposes updated technical requirements for on-board devices in heavy-duty vehicles, 10 April

The Commission published a draft Regulation updating the technical requirements for on-board devices in heavy-duty vehicles under Regulation (EC) No 595/2009. A key new proposed requirement is the mandatory inclusion of on-board fuel consumption monitoring (OBFCM) devices for vehicles with internal combustion engines. It is proposed that from 2029 all heavy-duty vehicles should be equipped with systems that record fuel and energy consumption, as well as vehicle mass data. The measures aim to standardise data collection, support environmental compliance and enhance emissions transparency.

Commission review of EU emissions trading rules and Market Stability Reserve, 15 April

The Commission announced a forthcoming consultation to inform the revision of the EU Emissions Trading System (ETS) and its Market Stability Reserve (MSR). The review will consider extending ETS coverage to additional sectors, such as municipal waste incineration and smaller ships, to address carbon leakage risks and ensure alignment with international carbon markets. The 12-week consultation, launched in mid-April 2025, will gather stakeholder input through surveys and interviews on technical design features, market functioning, and policy alignment. The outcomes will feed into reports that will underpin legislative proposals scheduled for 2026.

Commission launches consultation to promote industry cooperation to procure and recycle critical raw materials, 1 April

The Commission published a consultation seeking input on how European companies procure and recycle certain critical raw materials and the companies' interplay with EU competition rules. Input from this exercise is intended to inform the roll-out of a critical raw material demand aggregation system (as prescribed under the Critical Raw Materials Act to promote joint purchasing of critical raw materials in bulk), which will be set up this year. Based on the feedback received, the Commission will provide guidance to companies on how they can cooperate on projects in this field while maintaining compatibility with EU competition rules.

Commission publishes initiative on Innovation Fund – evaluation of its operation, 15 April

The Commission is evaluating the Innovation Fund's implementation from 2020 to 2024, with a focus on its alignment with other EU programmes (such as Horizon Europe) and the effectiveness of its funding processes. The Innovation Fund, established under the EU Emissions Trading System (EU ETS) Directive, supports low and zero carbon technologies in sectors such as renewables, heavy industry, energy storage, carbon capture, mobility and buildings. Financed through ETS allowance revenues, it aims to drive decarbonisation through innovation. The call for evidence is open until 8 July 2025, and the Commission plans to publish an evaluation report by the end of this year. The findings will be used to improve multiple aspects of the Innovation Fund's implementation.

EFRAG delivers work plan to the European Commission in response to ESRS simplification mandate, 25 April

EFRAG submitted to the Commission its work plan to provide technical advice on revising and simplifying the European Sustainability Reporting Standards (ESRS). The intention is to reduce the reporting burden for companies whilst maintaining effective sustainability disclosures. Key activities for this year will include:

- April to mid-May: gathering stakeholder feedback and evidence from the first CSRD reports.
- August-September: publishing Exposure Drafts and analysing stakeholder feedback, including though public consultation.

- October: delivering the technical advice to the European Commission.

ISSB publishes Exposure Draft proposing targeted amendments to IFRS S2 to ease application for companies, 28 Apr

The International Sustainability Standards Board (ISSB) published a consultation proposing targeted amendments to the International Financial Reporting Standards (IFRS) Climate-related Disclosures standards (IFRS S2). The changes aim to ease the application of Greenhouse gas (GHG) emissions disclosure requirements. Proposed changes include:

- Relief from measuring and disclosing Scope 3 Category 15 GHG emissions associated with derivatives and certain financial activities.
- Relief from using the Global Industry Classification Standard (GICS) in some circumstances when disclosing disaggregated financed emissions information.
- Clarification on jurisdictional relief allowing companies to use a measurement method other than the GHG Protocol for measuring emissions.
- Permission to use jurisdiction-required Global Warming Potential (GWP) values that are not based on the latest Intergovernmental Panel on Climate Change (IPCC) data.

The consultation closes on 27 June 2025. Final amendments are expected by the end of 2025.

UNEP FI publishes version 3 of Guidance for Climate target setting for banks, 16 April

The United Nations Environment Programme Finance Initiative (UNEP FI) updated its Guidance for Climate Target Setting for Banks. The guidance supports Net-Zero Banking Alliance members in setting net-zero targets aligned with the Paris Agreement. This update replaces version 2, launched in April 2024. The guidance recommends that banks:

- Set and disclose long-term and interim climate targets.
- Establish baselines and annually report emissions from financing activities.
- Use science-based decarbonisation scenarios to align targets with net-zero goals.
- Regularly review targets to reflect the latest climate science.

International Maritime Organization approves net-zero regulations for global shipping, 11 April

The United Nations' International Maritime Organization (IMO) approved draft regulations to reduce greenhouse gas emissions from international shipping. The proposed Net-Zero Framework, endorsed during the April session of the Marine Environment Protection Committee, introduces a global fuel standard and a pricing mechanism for emissions. Ships exceeding defined thresholds would need to make financial contributions to a newly established IMO Net-Zero Fund, a form of global climate levy, with revenues earmarked for low-emission technologies, capacity building and transition support in developing countries. The regulations, which are legally binding and apply to large ocean-going vessels operating in international waters, are due for adoption in October 2025 and would take effect from 2027.

Key timelines	
Corporate Sustainability Reporting Directive (CSRD) – ESRS	On 8 April, EFRAG launched a call for input to gather views from all relevant stakeholders on the revision of the first set of ESRS, including collecting feedback from first-wave reporters. The consultation closes on 6 May 2025.
UK voluntary carbon and nature markets	On 17 April, the UK government launched a consultation on the implementation of the principles underpinning the integrity of the UK's voluntary carbon and nature market. The consultation closes on 10 July 2025.

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.

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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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