April 2025

Developments in ESG governance, disclosure, financial regulation and litigation

ESG Matters

In this April edition of ESG Matters, our Highlight discusses the EU Clean Industrial Deal. Our Spotlight section provides updates on recent developments in ESG governance, disclosure, financial regulation, and litigation.

1 March in brief

Omnibus – stop-the-clock

In March, Omnibus and the proposed adjustments to CSRD, CSDDD and the Taxonomy Regulation continued to be core topics leading to the adoption of the 'stop-the-clock' amendment on 3 April by the European Parliament. This means that the application timelines for CSRD will be postponed by two years for companies first reporting on FY 2025 (wave 2 companies) or FY 2026 (wave 3 companies). The CSRD remains applicable to companies first reporting on FY 2024 (wave 1 companies). Implementation and application of CSDDD to wave 1 companies will be postponed by one year. The final legal text of the stop-the-clock proposal is expected to published soon. Attention can then shift to the substantive proposals on the scope and content of the CSRD, CSDDD and the Taxonomy Regulation.

ECB and EU Platform on Sustainable Finance – critical remarks to Omnibus

Financial regulators have remained largely silent on Omnibus until now. In a recent speech, Frank Elderson, member of the ECB's Executive Board, partly revealed the

ECB's stance on the substantial elements of the Omnibus proposal:

> *'while there are merits in removing undue complexity from the regulatory framework without compromising resilience, the debate on competitiveness should not be used as a pretext for watering down regulation. Rather than reducing complexity by lowering regulatory requirements, it would be more effective to achieve simplification through European harmonisation: don't cut rules, harmonise them.'*

The EU Platform on Sustainable Finance, an advisory body to the European Commission, stated:

> *The Platform strongly recommends aligning the scope of Taxonomy reporting with the scope of the Corporate Sustainability Reporting Directive (CSRD), while preserving the CSRD's original scope. For non-SME companies below the 1,000-employee threshold, reporting should be focused on the most essential standards, including Taxonomy alignment. Limiting the reporting requirements to the minimum essential criteria will ensure the integrity of the European financial market is upheld (as predominantly ESG) while reducing unnecessary burden on entities.*

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In other words, the discussions on scope and content of CSRD, CSDDD and Taxonomy are far from finalised. Important developments lie ahead. In this edition of ESG Matters, we cover key updates on these legal acts, as well as notable developments in ESG litigation, governance, and regulation. This month's highlighted article explores the Clean Industrial Deal, the Steel Plan and the CBAM Proposal.

2 Highlight: EU Clean Industrial Deal

The European Commission published the 'Clean Industrial Deal' (CID) (COM 2025/85), aiming to recalibrate and simplify the regulatory landscape for Europe's industry. This highlight contains a high-level overview of its material actions. With legislation being implemented in the months and years ahead, it is crucial to stay informed about these developments and their potential impact on your business.

Clean Industrial Deal

The European Commission recognises that EU industrial companies, especially those facing high energy prices and global competition, are facing existential challenges. The CID therefore aims to strengthen the EU's industrial base by fostering a favourable environment for manufacturing, particularly for energy-intensive industries, while achieving decarbonisation goals. It stimulates clean technologies and circular business models to drive sustainable economic growth, focusing on six 'business drivers'. These drivers will serve as a framework for dialogue with industry sectors on sector-specific plans.

1. Access to affordable energy

The EU's Action Plan for Affordable Energy aims to reduce energy costs by accelerating electrification (KPI: increasing the EU's electrification rate from 21% to 32% by 2030), transitioning to clean energy, improving grid infrastructure, and enhancing energy efficiency. It focuses on lowering energy bills, promoting clean energy, and ensuring functional gas markets.

The Commission highlights the importance of corporate power purchase agreements and has initiated a pilot programme with the European Investment Bank to counter-guarantee part of the PPAs undertaken by energy-intensive industries. The European Investment Bank also introduced the Grids Manufacturing Package to provide counter-guarantees to manufacturers of grid components with an indicative total amount of EUR 1.5 billion.

The Commission urges Member States to complete the negotiation of the Energy Taxation Directive to stimulate electrification and not incentivise fossil fuel usage. Additionally, the Industrial Decarbonisation Accelerator Act will address permitting bottlenecks for energy-intensive industries that want to electrify and decarbonise.

2. Business-case for decarbonized products

The CID aims to create demand for decarbonised products by establishing markets for European clean technologies and encouraging the use of captured carbon, especially through the Industrial Carbon Management Strategy. Public procurement policies are considered a powerful instrument to overcome barriers to market entry. The Commission announced a proposal to revise the Public Procurement Framework in 2026 to introduce additional non-price sustainability criteria in public procurement procedures.

To promote the uptake of renewable and low-carbon hydrogen, a new delegated act on low carbon hydrogen will be published in Q1 2025.

3. Public and private investments in clean technologies

To facilitate the clean transition of the EU economy, the Commission intends to strengthen existing EU funding opportunities. It will launch an Industrial Decarbonisation Bank aiming for EUR 100 billion funding of industrial decarbonisation and clean tech manufacturing projects.

The Commission will also encourage private investment by proposing an amendment to the InvestEU Regulation. A new CID State Aid Framework is intended to simplify state aid rules and enable necessary state aid stimulating private investment.

4. Raw materials and the circular economy

The Commission aims to reduce reliance on unstable suppliers of imported raw materials, such as steel and metal. The Critical Raw Materials Act will be prioritised to diversify supply chains and secure access to critical materials. Recently, the

Commission released 47 Strategic Projects spread across 13 Member States to further the objectives of the Critical Raw Materials Act.

The Commission will adopt a Circular Economy Act in 2026 to accelerate the circular transition. It will harmonise the 'end of waste' criteria to facilitate the transition from waste to valuable secondary raw materials.

5. Upskilling and reskilling the workforce

Initiatives like the Union of Skills and the Quality Jobs Roadmap provide support for training, upskilling and reskilling to meet the demands of the green transition, supported by investments that assist the workforce development.

6. Creating fair international competition while strengthening partnerships

The CID emphasises the need for international partnerships to meet its objective. For companies, this translates into opportunities through Clean Trade and Investment Partnerships, which will provide targeted support for EU businesses by diversifying supply chains, securing raw materials, and fostering cooperation on clean energy and technology. The proposed changes to the EU Carbon Border Adjustment Mechanism (CBAM) (2025/0039 COD) aim to streamline the EU pricing framework to prevent carbon-intensive imports from undermining the EU's emissions efforts and promote global decarbonisation.

What this means for you

- Automotive industry. The newly established Industrial Plan for an Automotive Sector (COM 2025/ 95) will focus on innovation in future technologies and capacities while addressing the needs of the automotive value chain.
- Steel industry. Steel and metals are essential for the clean and digital transitions. The newly released Steel and Metals Action Plan (COM 2025/125) intends to provide specific measures for both ferrous and non-ferrous metals companies.
- Chemical industry. The Commission will adopt the Chemical Industry Package later this year, proposing specific actions to boost the industry's modernisation and competitiveness while promoting European production and innovation.
- Transport and renewable fuels. The Commission plans to adopt a Sustainable Transport Investment Plan, prioritising support for certain renewable and low-carbon fuels for aviation and maritime transport.
- CBAM. Under Omnibus, the Commission proposes to exclude small importers that import less than 50 tons of CBAM goods per year from the EU carbon border adjustment mechanism. At the same time, the Commission will evaluate whether to include more EU ETS sectors and downstream players. For more details on the ETS, see our separate blog post.

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3 Spotlight on ESG developments

Governance & transition

Omnibus stop-the-clock proposal

On 26 March, the member states' representatives (Coreper) commission of the Council of the European Council adopted its position on the Omnibus stop-the-clock proposal in line with the European Commission proposal (COM(2025 (80)). On 3 April, applying the fast-track procedure, the European Parliament also approved the proposal. The final legal text of the stop-the-clock proposal is expected to be finalised and published soon. The substantive Omnibus proposal on the scope and requirements of CSRD, CSDDD and the Taxonomy Regulation remains pending and has not yet been voted on. For more details, read our update and the March 2025 edition of ESG Matters.

IEA publishes global energy review 2025

On 24 March, the International Energy Agency (IEA) published its Global Energy Review 2025. Global energy demand increased by 2.2% in 2024, exceeding the 1.3% average increase between 2013 and 2023. All energy sources saw growth, including oil, natural gas, coal, renewables and nuclear power. Electricity demand increased by 4.3% due to higher demand for cooling, industry, transport, data centres and artificial intelligence. 80% of this increased demand was met by low-emission sources. Oil and coal consumption increased more slowly than in 2023. For the first time, oil's market share fell below 30%. Renewable and nuclear sources accounted 40% of total energy generation. Energy sector CO_2 emissions increased by 0.8% in 2024, compared to 1.2% in 2023.

PSF publishes sustainable finance standard for SMEs

On 21 March, the Platform on Sustainable Finance (PSF) published a report introducing a 'SME sustainable finance standard'. This is a voluntary framework for banks and financial institutions to classify loans (and other types of financing) to SMEs as sustainable finance. It is limited to climate mitigation and adaptation, but aims to be expanded to other environmental objectives. The standard aims to address the problem that SMEs have reduced access to green finance in practice. The standard contains proposals (i) to simplify the sustainability criteria for SME's activities derived from the Taxonomy Regulation; (ii) to introduce enterprise-level criteria; (iii) to introduce investment-level criteria for investments not yet in scope of the Taxonomy Regulation. As minimum safeguards, SMEs would have to (i) comply with applicable laws; (ii) not finance, fall under, or provide dedicated services to excluded sectors or activities under the EU Paris-Aligned Benchmarks Regulation; (iii) report based on the VSME reporting standard to be developed by the European Commission under the Omnibus proposal.

SBTi launches public consultation on revised Corporate Net-Zero Standard

On 18 March, the Science Based Targets initiative (SBTi) published a draft of the revised Corporate Net-Zero Standard for public consultation. This updated proposal introduces significant changes to the March 2024 version, which remains the only global framework for corporate net-zero target setting aligned with climate science. Key proposed revisions include: (1) a stronger focus on scope 3 emissions, encouraging companies to prioritize direct suppliers and emissions-intensive sectors in their reduction strategies; (2) new requirements for assessing and communicating progress against targets to improve transparency and accountability; and (3) simplified and tailored requirements for medium-sized companies in developing markets and for SMEs, recognizing varying capabilities. The consultation is open to 1 June 2025.

PSF publishes report on green capital flows

On 11 March, the PSF introduced a new framework to track sustainable investment flows in the EU. The report, based on EU Taxonomy data, highlights the following:

- Taxonomy-aligned capital expenditure reached EUR 250 billion in 2023, a 34% increase year-on-year.
- Transition-related investments are emerging, with an additional EUR 206 billion potentially contributing to sustainability goals.
- Green bonds and loans dominate financing, with outstanding green debt at EUR 1.69 trillion.
- Progress towards sustainable transition varies significantly across sectors.

EC publishes roadmap for women's rights and 2025 Gender Equality Report

On 7 March, ahead of International Women's Day, the EC presented its Roadmap for Women's Rights and the 2025 Report on Gender Equality, outlining a long-term vision to advance gender equality in the EU. This document outlines a long-term vision to advance gender equality in the EU, building on progress made under the 2020–2025 Gender Equality Strategy. Priorities include combating gender-based violence, ensuring equal pay, supporting work-life balance, and promoting women's representation in leadership. Despite progress, challenges such as pay gaps and high levels of violence against women persist. The Commission urges all EU institutions and Member States to help turn this roadmap into action.

Disclosure

PSF responds to public consultation on Taxonomy Delegated Acts

On 26 March, the Platform on Sustainable Finance published its response to the EC public consultation on the proposed amendments to the Taxonomy Delegated Acts under the Omnibus proposals. PSF strongly recommends preserving the CSRD's original scope and aligning the scope of Taxonomy reporting with that original scope. For non-SME companies below the 1,000-employee threshold, reporting should focus on the most essential standards, including Taxonomy alignment. PSF welcomes proposals to simplify and reduce corporate reporting obligations, simplify the GAR and DNSH, postpone the 'trading book' and 'fees and commissions' KPIs for banks, and improve SMEs' access to sustainable finance. However, PSF has 'serious concerns' about the narrowing of the scope of CSRD and the Taxonomy due to the potential loss of data.

EFRAG publishes educational videos on ESRS digital tagging

On 20 March, EFRAG published two educational videos demonstrating the digital tagging of an ESRS report using the ESRS Set 1 XBRL Taxonomy. The videos explain that any compliant XBRL tool can be used. Final tagging rules (ESEF RTS) will be issued by ESMA and the European Commission.

EFRAG and CDP publish compliance table on ESRS E1 and CDP

On 18 March, EFRAG and the Climate Disclosure Project (CDP) published correspondence mapping between the CDP question bank and ESRS E1. It provides an overview of reporting requirements of CDP and ESRS E1, highlighting areas of overlap. The mapping aims to promote interoperability and reduce the need for multiple reports.

ECB publishes paper on EU corporate disclosure rules and greenwashing

On 14 March, the ECB released an occasional paper examining how the EU's regulatory framework addresses the growing concern of greenwashing, particularly in corporate disclosures. The paper explores how the EU's sustainability disclosure framework – including the EU Taxonomy, CSRD, ESRS, and CSDDD – aims to combat greenwashing and align corporate actions with the EU Climate Law's net-zero goals for 2050. Greenwashing, driven by vague or misleading sustainability claims, remains a significant risk due to the lack of standardised reporting. It undermines investor confidence and the transition to a low-carbon economy. The paper highlights that this regulatory package promotes greater transparency, comparability, and accountability. It also provides enforcement and sanctioning powers, giving real weight to the rules. The paper notes that banks face parallel ESG and disclosure requirements under the EU's banking package. Looking ahead, the paper acknowledges that the 2025 Commission work programme and the Omnibus package propose simplifying sustainability rules. However, any future reforms should stay closely linked to the current disclosure framework to effectively mitigate greenwashing risks.

EC publishes notice on interpretation and implementation of EU Taxonomy Delegated Acts

On 5 March, the EC published a notice in the Official Journal of the EU providing guidance on the interpretation and application of specific provisions within the Taxonomy Regulation delegated acts. The notice offers technical clarifications in response to frequently asked questions. Structured across nine sections, the document addresses general queries, as well as questions related to both climate objectives (climate change mitigation and adaptation) and environmental objectives (such as water and marine resources, circular economy, and more). It also covers the application of the "do no significant harm" criteria, the scope of CapEx and OpEx reporting, and timeframe for reporting on Taxonomy eligibility and alignment.

Financial institutions & regulation

LMA, APLMA and LSTA publish green, social and sustainability-linked loan principles

On 26 March, LMA, APLMA and LSTA published updated versions of its green Sustainability Linked Loan Principles (SLLP) including guidance, Green Loan Principles (GLP) including guidance, and Social Loan Principles (SLP) including guidance. The updated principles and guidance aim to promote the development of the relating loan products, and underpin their integrity. The full sustainable lending library is available here.

ECB publishes working paper on the effect of climate change risks on sovereign credit ratings

On 25 March, the ECB published a working paper examining whether sovereign credit ratings account for physical and transition climate risks. The study uses a panel dataset covering a large number of countries over two decades. The paper shows that physical climate risks – such as temperature anomalies and natural disasters – are linked to lower sovereign credit ratings, especially after the Paris Agreement. While transition risks were not consistently reflected over the entire period, since 2015, countries with strong CO_2 reduction targets and declining emissions have seen higher ratings. In contrast, nations with high debt or fossil fuel dependence are rated lower. Conversely, sovereigns positioned to benefit from the green transition – particularly those rich in transition-critical materials – are seeing improved ratings. It highlights a shift in how climate risks and opportunities are being evaluated in sovereign credit assessments.

ESMA publishes compliance table on Guidelines for ESG and Sustainability-Related Fund Names

On 19 March 2025, the European Securities and Markets Authority (ESMA) released a compliance table detailing how EU Member States are aligning with its Guidelines on fund names using ESG or sustainability-related terms. The table shows that most EU countries have already complied with the Guidelines. The Czech Republic is the only country listed as not complying, citing the lack of a sufficient legal basis in national legislation to enforce the specific thresholds set by ESMA. Bulgaria, Hungary, Latvia, and Lithuania are noted as intending to comply.

Dutch implementation acts of EU Green Bond Regulation published in government gazette

On 17 March, the Dutch Implementing Decree and Entry into Force Decree for the European Green Bond Regulation (Regulation (EU) 2023/2631) were published in the Government Gazette. The Implementing Decree implements the Regulation by amending the Decree on EU Regulations under the Dutch Financial Services Act. The Entry into Force Decree specifies that the Dutch European Green Bond Regulation Implementing Act will come into effect on 17 March 2025.

ECB publishes working paper on the reflection of physical climate risks in residential mortgage rates

On 12 March, the ECB published a working paper highlighting that banks are increasingly factoring physical climate risk into mortgage rates, particularly in high-risk areas. However, only banks deemed to be adequately managing climate risk tend to charge higher risk premiums. This exposes gaps in climate risk pricing and reinforces the ECB's call for stronger supervisory action. The paper recommends that all banks integrate climate risks into their credit assessments and urges supervisors to step up their oversight efforts.

AFM publishes statement on Omnibus proposal

On 11 March, the Dutch Authority for the Financial Markets (AFM) published a statement (also in Dutch) on the European Commission's Omnibus proposal. The proposal is a political choice and is not yet finalised. The number of Dutch listed companies in scope would reduce from about 160 to 100 in wave 1. AFM is concerned that this could result in less information availability. The removal of 'reasonable assurance' would also limit the reliability of information for stakeholders. AFM urges listed companies and accounting organisations to continue their efforts for reliable and transparent sustainability information. Such information helps investors assess sustainability risks and opportunities and encourages sustainable corporate behaviour. AFM maintains its phased approach. In 2025, AFM will review sustainability reports published by large, listed companies. These reviews will not lead to enforcement, except in case of flagrant violations. AFM prefers a cooperative approach, and its publications aim to contribute to a collective learning curve.

Litigation

NGO initiates climate case against Dutch bank

On 28 March, NGO Friends of the Earth Netherlands (Milieudefensie) delivered its writ of summons (in Dutch) to Dutch bank ING. It also published a short summary (also in English) and a long summary (also in English) of the writ. The case is brought at the District Court of Amsterdam. The court will take the first procedural step on 16 April 2025. In short, based on Dutch tort law, the NGO claims that the bank:

- Reduce its total operational, financed and facilitated absolute CO2 emissions by 48% by 2030, 65% by 2035, 80% by 2040 and 99% by 2050, compared to 2019 emission levels.
- Reduce financed and facilitated absolute emissions in certain (sub) sectors in line with scientific scenarios, and also decrease emissions intensity in these (sub)sectors.
- Stop new financing within three months and end all financing within twelve months for companies involved in new fossil fuel projects.
- Request climate plans from all large corporates financed by it, including intermediate scope 1-3 reduction targets towards 2050.
- Subsidiarily, reduce its emissions by a percentage or in a manner determined by the court.

German court declares sports brand's climate neutral claims misleading

On 25 March, the regional court of Nürnberg-Fürth ruled on a case brought by Deutsche Umwelthilfe against German sports clothing company Adidas for misleading advertisements. The company had stated on its company website: 'We will be carbon neutral by 2050: Adidas is committed to a series of ambitious targets that will pave the way to carbon neutrality along our entire value chain by 2050'. The court ruled that the statement was misleading. It gave the false impression that the company would achieve the targets by reducing its own emissions, without relying on CO2 offsetting measures, which the company had planned to do. Adidas had already revised the statement in 2024.

German court declares airline's climate claims misleading

On 21 March, the regional court of Cologne ruled on a case brought by Deutsche Umwelthilfe against German airline Lufthansa for misleading advertisements. Lufthansa had advertised 'CO2 offsetting' and offered consumers an 'offset flight' option. The court ruled that it was unclear for consumers how and to what extent CO2 compensation would be carried out in relation to the specific booked by the consumer. The calculation of the flight's CO2 emissions, as well as the share of CO2 in the total climate impact, also remained unclear. The court concluded that these communications suggested to consumers that they could make their flight essentially climate-neutral with their payment, which was incorrect. The advertisements also falsely implied that Sustainable Aviation Fuel (SAF) contributions were linked to the specific flight. The judgment follows a series of greenwashing ruling by German courts, where similar claims were also declared misleading.

Jury orders Greenpeace to pay damages for pipeline protests

On 18 March, a jury in Morton County ordered Greenpeace to pay over USD 660 million for its involvement in protests against an oil pipeline project in North Dakota in 2016 and 2017. The case was initiated by energy companies Energy Transfer and Dakota Access LLC. The jury found that Greenpeace incited illegal behaviour by anti-pipeline protestors, including indigenous communities, and that it defamed the company. Earlier this year, Greenpeace already initiated a counter-case (also in English) in the Netherlands based on the EU anti-SLAPP (Strategic Lawsuits Against Public Participation) Directive against the energy company, which is still ongoing.

Hearings in case between Peruvian farmer and energy company

In the week of 17 March, hearings took place in the case between Peruvian farmer Lliuya and German energy company RWE before the Higher Regional Court in Hamm. The Peruvian farmer claims damages from RWE, arguing that the company' emissions contributed to the melting of Andean glaciers, which has increased flood risks to his farm. The German court is expected to rule on the significance of the flood risk on 14 April 2025, which will determine whether the case proceeds or will be dismissed.

EU Council urges Switzerland to comply with Klimaseniorinnen judgment

On 4 March, the European Council urged Switzerland to strengthen its response to the Klimaseniorinnen judgment by the European Court of Human Rights (ECtHR). While the Council recognises Switzerland's progress on implementing new climate laws, it calls for updates by relevant authorities on inter alia the implementation of climate measures, protection for vulnerable groups, and the right of standing for associations in climate cases. The updates must be provided by September 2025.

Questions?

If you have any questions or comments on a specific ESG topic, please contact our Sustainable Business & Climate Change team. To receive ESG Matters, please sign up.

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