ESG View

April 2025

24 April 2025

Welcome to the April ESG View!

Our April edition greets you in the wake of World Earth Day on 22 April, a useful reminder of one simple unifying fact: we share one planet that we all call home. So caring for it is in our collective interest.

On the theme of our Blue planet (yes, you may well have guessed by now that we are decidedly in the blue camp although we remain staunch friends with the green planet brigade), the OECD's latest report, "The Ocean Economy to 2050," provides a timely reminder of the criticality of a sustainable ocean economy. It also underscores the need for cleaner energy sources and digital technologies to mitigate environmental impacts and enhance productivity of ocean industries. On which note, the International Maritime Organisation achieved a significant win this month in agreeing a decarbonisation pathway for the shipping sector (as covered more fully under Global updates in this edition).

On the primacy of Blue, don't take our word for it but rather hear it from one of the greatest broadcasters and natural historians of our time, David Attenborough, as he is releasing a new film on Oceans on 8 May to coincide with his 99th birthday: "After living for nearly 100 years on this planet, I now understand the most important place on Earth is not on land - but at sea."

In a positive development for nature and biodiversity this month, the IFRS Foundation and the Taskforce on Nature-related Financial Disclosures (TNFD) have signed a Memorandum of Understanding (MoU) to enhance nature-related financial disclosures for capital markets. This collaboration will focus on integrating TNFD recommendations into the ongoing work of the International Sustainability Standards Board (ISSB).

This edition also covers significant updates from the Loan Market Association, which has revised its Green, Social, and Sustainability-Linked Loan Principles to better support environmental and social objectives through lending. Additionally, the European Platform on Sustainable Finance has proposed a streamlined sustainable finance standard for SMEs, addressing challenges in accessing sustainable finance.

We also delve into the EU's Omnibus 'stop the clock' package, which postpones sustainability reporting requirements under the CSRD and CSDDD, and the UK's world-first nature standards aimed at preventing greenwashing and promoting investment in nature restoration. Whereas the state of play in the US continues to change at pace with the SEC's decision to cease defending the Climate-Related Disclosure Rule along with the Executive Order to prevent any state-level laws that are perceived to impact energy dominance.

Best wishes,

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GLOBAL DEVELOPMENTS

1. International Maritime Organisation Framework Agreement reached (shipping)

What: On 7 April, a landmark framework was approved by the International Maritime Organisation (IMO) to guide the shipping industry toward net-zero emissions by or around 2050.

Key details: The framework, which is legally binding, introduces a mandatory marine fuel standard and a greenhouse gas emissions pricing mechanism for all large oceangoing vessels over five thousand gross tonnage - said to be responsible for approximately eighty-five percent of global CO_2 emissions. Specifically, the approved measures include a new fuel standard for ships and a global pricing mechanism for emissions. These measures are set to be formally adopted in October 2025 and enter into force in 2027. The framework will require ships to comply with:

- A global fuel standard: Ships must reduce, over time, their annual greenhouse gas fuel intensity (GFI), i.e., how much GHG is emitted for each unit of energy used, which is calculated using a well-to-wake approach; and
- A global economic measure: Ships emitting above GFI thresholds will have to acquire remedial units to balance their deficit emissions, while those using zero or near-zero GHG technologies will be eligible for financial rewards.

Our view: While the agreement is a welcome step in the right direction for reducing emissions in this sector, there is disappointment that the outcome did not reflect a flat levy which was the initial ambition of the negotiations. That said, the net-zero shipping transition presents a significant investment opportunity for developing green maritime infrastructure globally and the challenges posed will require strategic policy support. The news comes hot-off-the-heels of the UK government 's publication of a 'Maritime Decarbonisation Strategy' which sets new domestic decarbonisation goals for a 30 percent reduction by 2030 and an 80 percent reduction by 2040 (both relative to 2008) and outlines key policies to meet them We will be monitoring each of these developments closely.

2. LMA updates Green, Social, and Sustainability-Linked Loan Principles (financial institutions)

What: On 26 March, the Loan Market Association (LMA) released updated versions of its Green, Social, and Sustainability-Linked Loan Principles (Principles) to guide the financial sector in supporting environmental and social objectives through lending.

Key details: These Principles provide a framework for finance projects and borrowers to achieve a positive ESG impact by emphasising transparency, accountability, and alignment with sustainable development goals. The updated Principles include several key changes:

- Greater clarity on provisions: The updates distinguish between mandatory requirements and recommendations, optional actions, or possibilities.
- Ambitious framing: The Principles now emphasise their potential to help businesses transition to lasting positive environmental and social changes, encouraging a transformative approach to sustainability goals.

- Deletion of previous exemption language: The updated versions remove language that exempted transactions from complying with the Green Loan Principles if completed shortly after publication, requiring all ongoing transactions to adhere to the updated Principles.
- Expanded Scope: The Principles now cover a wider range of projects and sectors, reflecting recent developments and the growing diversity of green and social initiatives.
- New Mandatory Key Performance Indicators (KPI) for sustainability-linked loans: KPIs must align with the borrower's sustainability strategy and, where feasible, be externally verifiable, ensuring alignment with strategic goals.
- Streamlined Verification Process: Information verified in a borrower's public annual reporting or regulatory submission need not be re-verified for the Sustainability-Linked Loan Principles (SLLP), reducing administrative burden.

Our view: The updates are a helpful development to enhance the credibility and effectiveness of green, social, and sustainability-linked loans and will be a useful resource for market participants.

EUROPEAN DEVELOPMENTS

1. EU Standard for Streamlining Sustainable Finance for SMEs (multi-sector)

What: On 21 March, the European Platform on Sustainable Finance (the 'Platform') published a report on streamlining sustainable finance for small and medium sized enterprises ('SME's).

Key details: The Platform observes that accessing sustainable finance for SMEs can be challenging due to high loan minimums, complex regulations, and lack of awareness or capacity, and the EU Taxonomy was not specifically designed for nor apply to SMEs, making it harder to access sustainable funding and for SMEs to disclose their climate related impacts. The "SME sustainable finance standard" (Standard), proposed by the Platform, is a streamlined, voluntary framework for banks and other financial institutions to classify loans (or other types of financing) provided to SMEs as sustainable finance, while simplifying related voluntary disclosures. The Standard will initially focus on climate related sustainability indicators and move to other environmental objectives.

Our view: The Standard is likely to be a welcome resource for many SMEs experiencing a gap in the ability to access sustainable financing as it recognises SMEs' climate-related sustainability efforts outside of the Taxonomy Regulation (Taxonomy). The Standard does not speak to the Omnibus proposals currently being worked through the EU legislative process and we expect some SMEs may, where appropriate, continue to report to financial institutions on a voluntary basis against Taxonomy criteria, particularly if they are simplified following the review of the draft Delegated Regulation amending the Taxonomy Delegated Acts. Read our dedicated publication here.

2. Omnibus 'stop the clock' package agreed (financial institutions)

What: On 26 March, the Council of the EU confirmed it had agreed its negotiating position on the Commission's proposal for an Omnibus Directive amending CSRD and CSDDD ('Postponement Directive') as regards the dates from which member states are to apply the relevant requirements.

Key details: The Postponement Directive seeks to implement:

- A two-year postponement to sustainability reporting requirements under the CSRD for all "second wave" and "third wave" companies that would otherwise be required to start reporting in 2026 or 2027 (in respect of financial year 2025 or 2026).
- A one-year postponement to the transposition deadline for the CSDDD (until 26 July 2027) and the deadline for its application to the first tranche of companies (until 26 July 2028).
- It is accompanied by a further proposal for an Omnibus Directive amending Directives 2006/43/EC and 2013/43/EU as well as the CSRD and CSDDD as regards certain corporate sustainability reporting and due diligence requirements.

Next steps: The Council is now expected to formally adopt the directive at an upcoming meeting (on 12 May 2025) without any substantial amendments to the Commission's proposal. You can access our dedicated publication here.

3. EU Platform on Sustainable Finance response to draft Taxonomy Delegated Act consultation (multi-sector)

What: On 26 March, the EU Platform on Sustainable Finance (the 'Platform') published its response to the European Commission's call for evidence (CfE) on a draft delegated regulation amending the Taxonomy Delegated Acts.

Key details: The Platform generally concluded that the amendments represent a step in the right direction, noting that several of the recommendations in its February 2025 report on the simplification of Taxonomy reporting have been taken into consideration (see our coverage of this in February ESG View). The recommendations made by the Platform include:

- aligning the scope of Taxonomy reporting with the scope of the CSRD, while preserving the CSRD's original scope;
- additional guidance to be issued to assist with the Taxonomy to simplify the Taxonomy's implementation and usage; and
- recommendations on the draft regulation, including:
  - Introducing a mechanism for all companies to report partial alignment;
  - Clarifying the materiality threshold to ensure that it applies to cumulative exposure, not individual economic activities; and
  - Postponing trading book and fees and commission KPIs for banks to 2027.

The Platform has since followed up with a report prepared by its technical working group which develops Technical Screening Criteria (TSCs) for new economic activities and 'do no significant harm' (DNSH) criteria which will be covered under Annex II of the Climate Delegated Act as 'adapted activities'. See our client note on the report here.

UK DEVELOPMENTS

1. Home Office updates Transparency in Supply Chains Guidance (multi-sector)

What: On 24 March, the UK Home Office issued its updated Transparency in Supply Chains Guidance (Guidance) on compliance with section 54 of the Modern Slavery Act 2015 (MSA).

Key details: The revised Guidance has been issued to reflect advancements and practices developed since the introduction of the MSA a decade ago. It aligns with frameworks such as the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct. Additionally, it anticipates forthcoming EU sustainability due diligence requirements, encouraging companies to integrate modern slavery considerations into broader ESG and human rights programs, rather than treating the Modern Slavery Statement as an isolated task.

Businesses subject to various ESG or non-financial reporting regimes are advised to adopt a unified approach to risk mapping, due diligence, and remediation, thereby streamlining efforts and meeting diverse stakeholder expectations regarding human rights.

Our view: We recommend firms consider the updated guidelines and factor in the practical suggestions to existing policies and processes to identify and mitigate risks of modern slavery in supply chains.

2. UK announces the first of its kind nature standards (multi-sector)

What: On 21 March, the British Standards Institution (BSI) launched a landmark standard (BSI FLEX 701), which is intended to set the bar for nature investments and prevent greenwashing.

Key details: The new standard has been designed to provide a clear roadmap for businesses and investors, will promote investment in projects such as wetland restoration, water quality improvement, flood resilience, and habitat creation. The standard is now available for immediate adoption by businesses, investors, and project developers, marking a significant milestone in ensuring that financial flows into nature restoration deliver real impact.

As a BSI Flex, the principles set out in the standard are being developed iteratively so they can be refined over time as nature markets evolve and alongside emerging government policy. As such, BSI welcomes comments and feedback on the first version, which forms the basis for further review.

3. FCA updates the discussion paper on finance for positive sustainable change (financial institutions)

What: On 2 April, the FCA published an update to its discussion paper of February 2023 on finance for positive sustainable change, (DP23/1) to provide a summary of the feedback it received together with its response and next steps.

Key details: The FCA reports that the feedback it received was generally positive. Among other findings:

- Respondents acknowledged the critical role that senior management and boards play in delivering and overseeing sustainability strategies;

- Opinions were mixed on accountability and whether there is merit in setting new expectations regarding senior management responsibilities for a firm's sustainability-related strategy;
- Most respondents supported linking remuneration and incentives to sustainability-related objectives, with a preference for a combination of short and long-term measures;
- Respondents generally agreed that due to the breadth of issues encompassed by sustainability, there are likely to be gaps in knowledge, necessitating further training and competence development.

Next steps: The FCA has confirmed that it is not currently considering introducing new rules on the themes discussed in DP23/11 but will continue to monitor developments in the market to make sure it is functioning well.

AMERICAS DEVELOPMENTS

1. SEC votes to end defense of climate disclosure rules (multi-sector)

What: On 27 March, the U.S. Securities and Exchange Commission (SEC) voted to cease legal efforts to defend the Climate-Related Disclosure Rule, which required companies to disclose climate-related emissions, risks, and spending.

Key details: The Climate-Related Disclosure Rule was initially adopted in March 2024, aiming to provide investors with information about climate risks and associated costs. However, it faced immediate legal challenges from industrial lobby groups and Republican state attorneys general, who argued that the regulations overstepped the SEC's legal authority and would burden businesses. The rule's implementation was delayed indefinitely while the cases were pending in court. Acting SEC Chair Mark Uyeda stated that the rule was "deeply flawed" and could harm the capital markets and economy. The SEC's decision to stop defending the rule was met with criticism from its lone Democratic member, Caroline Crenshaw, who argued that the decision unlawfully sought to undo valid regulations without following proper procedures.

Our view: The SEC's move aligns with the broader regulatory stance of the Trump administration, which has consistently aimed to reduce regulatory burdens. While the decision to cease defending the rule is unsurprising given the political climate, it raises concerns about the availability of critical climate-related information for investors. Companies operating in jurisdictions with stringent climate disclosure requirements, such as the EU, may still need to comply with international standards and state-level standards, highlighting the ongoing complexity of navigating global ESG regulations.

2. US Issues Executive Order – ‘Protecting American Energy from State Overreach’ (multi-sector)

What: On 8 April, President Trump signed an Executive Order for “Protecting American Energy From State Overreach” (the “Order”). The Order seeks to secure America’s energy dominance by “removing unlawful and burdensome state-level impediments to domestic energy production.”

Key details: The Order instructs the Attorney General (‘AG’) to "expeditiously" bring cases against state laws that "are or may be unconstitutional, preempted by federal law, or otherwise unenforceable." It also requires the AG to take actions necessary to halt the enforcement and continuation of any civil actions under such laws, and to submit a report by 7 June 2025 on the actions taken. Additionally, the Order directs the AG to recommend any further executive or legislative action required to prevent the enforcement of these state laws. The Order is broadly drafted and may encompass various state law initiatives aimed at addressing climate change. Specifically, it mentions state cap and trade programs and programs requiring compensation for past greenhouse gas emissions. The Order also targets laws that may delay permitting and could impact state "Climate Superfund" laws such as those in Vermont and New York.

Our view: It is not yet clear how the AG will implement the Order but, we note that while the Order is focused on the laws and actions of state and local governments, private sector companies should also monitor implementation of the Order, as these actions may create uncertainties on the legality of a wide range of climate change or ESG-related state laws, which apply to or have implications for private sector companies.

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ASIA DEVELOPMENTS

1. China launches first sovereign green bond in London (multi-sector)

What: On 2 April, China issued its inaugural sovereign green bond on the London Stock Exchange, raising RMB 6bn ($825mn). Proceeds will support a range of domestic green initiatives, including EV charging infrastructure, marine conservation, and national parks.

Key details: This marks the first application of the *People's Republic of China Sovereign Green Bond Framework*, released by the Ministry of Finance on 20 February (see our coverage here). The issuance aligns with international standards, such as the ICMA Green Bond Principles, and is a key step in China's broader ambition to peak carbon emissions by 2030 and reach carbon neutrality by 2060.

Our view: China's decision to debut in London is both symbolic and strategic. With European investors leading demand for ESG assets, the move helps China demonstrate its climate commitments on a global stage. Although the bond size is modest relative to China's $4tn annual budget, it sends a clear message: China is investing heavily in the green transition, at a time when other countries may choose a contrarian position. For London, it reaffirms its role as a hub for green finance and a key bridge to international capital flows.

BEST OF THE REST

A round-up of key ESG regulatory and policy updates from around the globe worthy of a mention in this edition:

- Global:. The IFRS has unveiled the IFRS - Roadmap Development Tool launched to support jurisdictions plan and design adoption roadmaps for ISSB Standards.
- EU: The EU Platform on Sustainable Finance has published an updated version of its handbook on climate transition benchmarks and Paris-aligned benchmarks covering anti-greenwashing measures and ESG disclosures among other matters.
- EU: On 1 April, the EU Commission published an Explanatory Guide to help stakeholders and member states implement the microplastics restriction under the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) legislation.
- EU: On 1 April 2025, the EU Platform on Sustainable Finance (Platform) published a report on advancing sustainable finance prepared by its technical working group. The report reflects the Platform's second mandate from the European Commission under the Taxonomy Regulation.
- EU: ESMA published a risk analysis report on changes to fund names related to the use of ESG terms and their impact on investment flows.
- EU: ESMA has published a final report setting out its analysis and conclusions on a common supervisory action (CSA) exercise conducted with national competent authorities (NCAs) on ESG disclosures under the Benchmarks Regulation.
- UK: The Finance Act 2025 has been enacted and includes provisions on rates of environmental taxes, (such as climate change levy, plastic packaging tax) which were announced in the Autumn 2024 Budget in October 2024.

- UK: The FCA has published a website with a voluntary survey issued to ESG rating providers to help inform the future FCA regulatory regime for ESG rating providers and broader sustainability disclosures.
- UK: On 6 April, new, directly enforceable consumer protection laws came into force under the widely anticipated Digital Markets, Competition and Consumers Act 2024 (the "DMCC") These changes will have an impact on the supervisory approach of the Competition and Markets Authority on Unfair Commercial Practices (UCPs) (e.g., greenwashing). See here for our full client note.
- UK: The UK Government has published its Climate Adaptation Research and Innovation Framework to support its targets to meet net-zero by 2050.
- UK: The City of London Corporation in collaboration with the UK Carbon Markets Forum, has published a report titled: "The role of the UK in carbon markets: a path to global leadership", outlining UK's strengths and opportunities in carbon markets, advocating for its leadership role in scaling high-integrity carbon markets globally to support climate finance and a just transition.
- UK: On 16 April, the UK Supreme Court ruled the legal definition of a woman is based on biological sex. Read our note here.
- Denmark: The Danish FSA has carried out a review of Article 9 funds, identifying deficiencies as part of a thematic inspection it took under SFDR.
- Japan: A new report published by the Commonwealth Climate and Law Initiative (CCLI) finds that Japanese corporate directors who fail to address climate risks could face personal liability, under Japanese corporate legal requirements.
- US: The Securities and Exchange Commission announced its approval for Green Impact Exchange to open the first national exchange for sustainability offerings, with trading set to begin in 2026.

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ESG DISPUTES ROUND-UP

1. Historically high ESG-fine in Germany for 'greenwashing' (financial institutions)

What: The public Prosecutor's Office in Frankfurt has imposed a EUR 25m fine on DWS, Deutsche bank´s asset management arm after accusing the company of greenwashing.

Key details: According to the prosecutor's statement, the Frankfurt Public Prosecutor's Office has issued the fine against DWS Group and DWS Investment as part of an investigation conducted jointly for several years with the Federal Criminal Police Office in Wiesbaden on suspicion of 'greenwashing'. They commented DWS had "extensively" advertised financial products which claimed to have ESG characteristics from 2020 to 2023. The investigations found that "statements in external communications, such as claiming to be a 'leader' in the ESG area or stating 'ESG is an integral part of our DNA' did not correspond to reality,". While a "transformation process" was underway at the firm, it had not yet been completed, they said, adding: "Statements in external relations must not go beyond what can actually be implemented."

Our view: The fine is one of the highest issued in Germany if not in Europe. The penalty can be seen as a wake-up call in the dawn of the laws implementing new EU regulations such as the Green Claims Directive and the Empowering Consumers Directive. Both contain rules that will influence advertising as well as the provision of information companies (from financial services firms to consumer products) will have to provide to their clients. The most important measure is transparency and correctness – both regulations aim to ensure customers are not misled. The case also highlighted growing concerns about how to police a surge in ESG investing as companies and institutions seek to bring portfolios in line with climate targets. Read our note here.

2. Legal Challenges Intensify for Climate Activists (multi-sector)

What: In the United States, a North Dakota jury has found Greenpeace liable for defamation, ordering the organisation to pay over $660 million (£507m) in damages to Energy Transfer, the company behind the Dakota Access Pipeline. The protests, which occurred between April 2016 and February 2017 and which at their peak attracted over 10,000 protesters, were said to have caused significant financial damage to Energy Transfer. Greenpeace had labelled the lawsuit a "SLAPP" (Strategic Lawsuit Against Public Participation) to suppress free speech and activism and have since brought a claim against Energy Transfer in the Dutch courts.

Whereas in New South Wales ("NSW") in Australia, 130 climate activists from the group Rising Tide have pleaded not guilty to charges under NSW's anti-protest laws. This follows the arrest of 173 protesters in 2024 for blocking the Port of Newcastle in opposition to fossil fuel usage and the NSW Supreme Court's issuance of a prohibition order against the protesters (meaning the protestors would not be protected from charges of obstruction or unlawful assembly). The trial is set to start on 16 May 2025 and could become the largest climate protest defence in Australian history, likely drawing global attention and becoming another example case on climate activism.

Our view: The Greenpeace defamation case in the US could have far-reaching implications, as other fossil fuel companies may consider similar actions against environmental organisations. The Rising Tide case in Australia could also set a precedent for the legal repercussions of climate protests, potentially influencing future activism and legal strategies. Both cases highlight the increasing legal challenges faced by climate activists and organisations globally, reflecting a growing trend of opposition to climate protests.

3. Hawai'i court rules insurers must defend Aloha Petroleum in climate suits (energy)

What: This insurance coverage dispute relates to underlying claims by the City and County of Honolulu and the County of Maui against Aloha Petroleum ('Aloha'), alleging that Aloha knowingly contributed to climate change through its GHG emissions, and misrepresented the risks associated with fossil fuel burning.

Key details: Aloha sought cover for defence costs under its commercial liability policies, which the insurers denied. The policies required an "occurrence" to trigger cover, and most also contained pollution exclusions with similar occurrence-based wording.

In October 2024, the Hawai'i Supreme Court was asked by the Hawai'i Federal Court to consider two questions in relation to the pollution exclusions in Aloha's policies (*Aloha Petroleum Ltd v National Union Fire Insurance Company of Pittsburgh PA*). It held that:

(i) For any insurance policy, where an "occurrence" is in part defined as an "accident", an "accident" can include recklessness, including an insured's reckless conduct in knowing about climate risk by emitting GHGs; and that

(ii) GHGs were "pollutants" in the traditional sense.

Applying the Supreme Court's clarification of the law, in December 2024 the Hawai'i Federal Court held that the insurers had no duty to defend Aloha under the ten policies which contained pollution exclusions but left open the question of whether or not two further policies, (which did not contain pollution exclusions), gave rise to a duty to defend.

Earlier this year, the Hawai'i Federal Court decided that, under those two policies, the insurers do have a duty to defend Aloha. Aloha's conduct, whilst "reckless", was nevertheless considered an "accident" and therefore a covered "occurrence" under the policies. Under Hawai'i's broad duty to defend standard, an insurer must provide a defence even where there is only a "remote" possibility of coverage.

Our view: The scope of insurance cover always depends both on interpreting the insuring provisions and then any applicable exclusions or limits. The Hawai'i Supreme Court's decision that GHG's constitute traditional environmental pollution was an important one, as pollution exclusions have long been the flashpoint in claims relating to cover for environmental damage. The most recent decision underscores the need to consider carefully the wording of any insuring clause and policy exclusions in each case, but also how broadly the duty to defend in insurance policies may be approached.

ESG CONSULTATION ROUND-UP

Some notable ESG policy consultations in flight across the globe that are currently open for comment. Engagement is a great opportunity to influence the direction of travel for ESG matters.

1. EU Commission consults on EU ETS (multi-sector)

What: On 14 April, the European Commission published a Call for Evidence and 12-week public consultation on the evaluation of the EU Emissions Trading System (EU ETS) and the Market Stability Reserve (MSR) ahead of their future reviews planned for 2026.

Key details: The consultation will look for feedback in areas such as:

- Addressing the risk of carbon leakage;
- The possible extension of the EU ETS coverage (such as municipal solid waste incineration, additional flights and aviation activities and installations with thermal capacity below 20 MW);
- The Market Stability Reserve;
- The linking of ETS with other international carbon markets; and
- Support mechanisms for carbon removals and CCU.

Next steps: The consultation is open until 8 July. Depending on the feedback and review process, legislative proposals and an evaluation and impact assessment is expected to follow in Q3 2026.

2. SBTi Launches Corporate Net-Zero Standard V2 (multi-sector)

What: On 18 March, the Science Based Targets initiative (SBTi) published an initial draft of its revised Corporate Net-Zero Standard for public consultation (V 2.0).

Key details: The draft standard sets out a science-based, innovative framework that enables more businesses to join net-zero targets or to commit to set them. Key areas of proposed revision include:

- Splitting out scope 1 and scope 2 emissions to reflect the unique challenges decarbonizing each of these categories, with proposals to include a commitment to move to low-carbon electricity no later than 2040;
- Instead of setting an emissions reduction target, offering increased flexibility through options to set targets for green procurement and revenue generation; and
- Introducing an assessment and communication of progress against targets requirement, to enhance accountability and recognize companies leading on decarbonisation.

Next steps: The consultation will be open for feedback until 1 June following which, the final standard will become effective as soon as possible after this date.

3. European Commission consultation to update verification and accreditation under EU Emissions Trading System (multi-sector)

What: On 25 March, the European Commission published a consultation on a draft Commission Implementing Regulation (Implementing Regulation) to amend Implementing Regulation (EU) 2018/2067 on the verification of data and the accreditation of verifiers (Verification and Accreditation Regulation) under the EU Emissions Trading System (EU ETS).

Key details: The draft Implementing Regulation in the current consultation includes requirements for verification relating to:

Climate neutrality plans, including assessing the completeness and compliance of the climate-neutrality plan with the requirements in Annex I to Implementing Regulation (EU) 2019/1842;

- The sustainability and greenhouse gas (GHG) emissions savings criteria from biomass fuels, renewable fuels of non-biological origin, recycled carbon fuels and synthetic low carbon fuels, and use of alternative aviation fuels;
- Carbon dioxide (CO_2) transferred to installations, CO_2 transport infrastructure for long-term geological storage and CO_2 that is permanently chemically bound in a product; and
- Non-CO_2 aviation effects.

Next steps: The consultation is open for comments until 22 April.

4. UK consults on removing climate change levy costs from electrolytic hydrogen (multi-sector)

What: On 26 March, as part of the Spring Statement 2025, HM Treasury published a consultation on removing climate change levy (CCL) costs from electricity used in electrolysis to produce hydrogen.

Key details: The consultation seeks views on legislation to remove CCL costs for electrolytic hydrogen, which currently faces higher costs than gas-produced hydrogen. HM Treasury is considering:

- Adding hydrogen electrolysis to the non-fuel use exemption;
- Relieving input fuel to hydrogen production; and
- Making hydrogen supply a taxable commodity.

The consultation also invites feedback on other areas where CCL may need adjustments to align with evolving energy policies and clean power targets. This will contribute to the upcoming comprehensive review of the CCL. The consultation ends on 7 May 2025.

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5. ESMA consults on EU Green Bonds Regulation RTS (financial institutions)

What: On 7 April, the European Securities and Markets Authority (ESMA), published its Consultation Paper on the remaining Regulatory Technical Standards (RTS) for external reviewers under the European Green Bonds Regulation.

Key details: The RTS cover the following aspects of the external reviewer regime:

- Systems, resources, and procedures' appropriateness, adequacy, and effectiveness;
- Compliance function authority, resources, expertise, and access to relevant information;
- Administrative and accounting procedures' soundness, internal control mechanisms, and information systems controls' effectiveness;
- Quality and reliability of sources for external reviews;
- Information, form, and content of recognition applications;
- Notification of material changes in registration information.

Next steps: ESMA will consider the feedback received to the consultation by 30 May 2025 and expects to publish a Final Report and submit the draft RTS to the European Commission for adoption by 21 December 2025 at the latest.

6. EFRAG consults on ESRS Set 1 Revision (multi-sector)

What: On 8 April, EFRAG issued a call for input via an online questionnaire on potential revisions to revise and simplify the existing European Sustainability Reporting Standards (ESRS).

Key details: The public call for input aims to gather input on the key areas of simplification identified in the Explanatory Memorandum of the Omnibus proposal, including suggestions:

- On how to modify the ESRS provisions that are deemed unclear;
- On how to improve consistency with other EU legislation;
- On how to improve the ESRS provisions on materiality to ensure that undertakings report only material information, do not report unnecessary information and do not dedicate excessive resources to the materiality assessment process;
- On how to simplify the structure and presentation of the standards;
- On how to further enhance interoperability with global sustainability reporting standards; and
- On any other modifications that could simplify the ESRS without compromising their role in supporting the Green Deal.

Next steps: The consultation is open until 6 May. The technical advice is expected to be delivered to the EC by 31 October 2025.

LATEST SIMMONS ESG INSIGHTS

Upcoming webinars

- ESG litigation and regulatory enforcement trends (15 May)
  Climate and environmental litigation and regulatory enforcement is on the rise, increasingly impacting companies' financial performance and credit risk. Join us for a discussion of the key trends and provide actionable insights to help you effectively mitigate ESG-related litigation and enforcement risks.

Recent publications

- EU “Stop-the-clock” directive enters into force under Omnibus (17 April)
- New proposed German standard insurance terms : PFAS to become standard exclusion (17 April)
- Historically high ESG-fine in Germany for 'greenwashing' (4 April)
- Advancing Sustainable Finance: New TSC & Climate Delegated Act Review (2 April)
- Council reaches negotiating position on “Stop-the-clock” directive (2 April)
- ESG: the Platform responds to proposed Taxonomy Level 2 changes (27 March)

CONTACT US

Simmons & Simmons is a leading international law firm with over 320+ partners and 2,500 employees throughout our network of 22 offices in Europe, Asia, the Middle East and the US*.

Our ESG approach is not to have an ESG practice but to adopt an integrated, holistic, cross-discipline approach so that we can combine ESG experts and deep technical knowledge with product/business line expertise.

If you need help understanding the current and upcoming ESG legislative and regulatory landscape or your supply chain obligations or supply chain best practice, or you would like assistance in mitigating your supply chain risk, we can help.

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