

ESG View

May 2025

22 May 2025



Welcome to the May ESG View!

Greetings from the Middle East where the red carpet was rolled out for my visit. Or so I thought until it became clear there was a certain other VIP guest visiting the region at the same time. Magic carpet aside, speaking with clients across both Dubai and Riyadh, there was no escaping the desire to prioritise growth but not at the cost of resilience. Resilience not just against market volatility, but also to climate change with increasing periods of 40C-plus temperatures bringing to sharp relief critical issues such as water and food security.

This month we mark International Biodiversity Day with a focus on achieving harmony with nature and sustainable development by linking the aims of the [Kunming-Montreal Global Biodiversity Framework \(KMGBF\)](#) and the [Sustainable Development Goals \(SDG\)](#) – which both have a fast looming deadline of 2030.

On the topic of counting down, we are but days away from the start of the pivotal [UN Ocean Conference](#) being held in France in early June. The ‘Ocean COP’ as its fondly come to be called will be preceded by a two-day [Blue-Economy Finance Forum](#) which will bring together stakeholders from across the ocean ecosystem including countries, corporates and charities to discuss key issues concerning a sustainable blue economy. We will feature dispatches from the Ocean COP in next month’s ESG View so watch this space.

This edition’s highlights include the adoption of the Ecocide Treaty by the European Council, which marks a significant milestone in the effort to leverage criminal law to combat environmental degradation. The news of India’s proposed Climate Taxonomy and China’s move to issue a Climate Disclosure Standard as a pathway to mandatory reporting by 2030 are also noteworthy given the significant carbon footprints of these jurisdictions. And don’t miss the riveting selection of disputes updates.

Best wishes,



Sonali Siriwardena

Partner, Global Head of ESG

T +44 20 7825 4595

E Sonali.Siriwardena@simmons-simmons.com



GLOBAL DEVELOPMENTS

1. ISSB exposure draft proposing IFRS amendments (financial institutions)

 **What:** On 28 April, the International Sustainability Standards Board (ISSB) published an [exposure draft](#) proposing amendments to IFRS S2, Climate-related Disclosures.

 **Key details:** The purpose of the exposure draft is to ease application of the standards for certain entities. Accordingly, the amendments are not focused on reductions in disclosures about GHG emissions but are aimed at making it easier for entities to apply the standard while retaining the usefulness of information provided to investors to enable decision making. Key issues considered include:

- Category 15 Scope 3 GHG emissions: entities would be permitted to exclude Category 15 Scope 3 GHG emissions (i.e., financed emissions) associated with derivatives, facilitated emissions and insurance-associated emissions from their measurement and disclosure of GHG emissions;
- Use of jurisdictional reliefs: clarifying that entities can measure its GHG emissions using a method other than the GHG Protocol, where a different method is required by a jurisdictional authority or an exchange on which the entity is listed, in whole or in part; and
- Use of Global Industry Classification Standard (GICS) codes: introducing flexibility in the use of GICS codes for disaggregating financed emissions by industry, specifically for those entities whose operations qualify as commercial banking and insurance.

 **Next steps:** The exposure draft is open for comments until 27 June 2025. The ISSB expects to finalise the amendments by the end of 2025.

2. VCMI publishes Code of Practice for offsetting Scope 3 Emissions (multi-sector)

 **What:** On 30 April, the Voluntary Carbon Markets Integrity Initiative (VCMI) published a [code of practice](#) (the 'Code') for firms wishing to offset their scope 3 emissions.

 **Key details:** The Code offers a structured approach for companies to assess their Scope 3 emissions gap (typically the most challenging to report and mitigate against), and report the challenges they face along the process. It offers a dual approach to work on direct emissions reductions and to use high-quality carbon credits. The Code requires companies to:

- Use carbon credits as a temporary measure, in addition to (not as a substitute for) decarbonising their GHG emissions. Companies should only use carbon credits that meet the quality criteria set out in the Code;
- Use 2040 as the deadline by which they should aim to close their scope 3 emissions gap and align with their net zero commitment trajectory; and
- Comply with the code's disclosure requirements to report on their scope 3 emissions gap, and the barriers and actions needed to close the gap.

 **Our view:** By setting clear rules, timelines and transparency requirements, the Code marks an important step forward in helping companies address the most complex and extensive sources of their carbon footprint. When considered against the current market stagnation, the Code represents a key framework for long-term climate action and corporate accountability.

EU DEVELOPMENTS

1. European Council adopts Ecocide Treaty (multi-sector)

 **What:** On 14 May, the European Council [adopted](#) the Convention on the Protection of the Environment through Criminal Law (the 'Ecocide Treaty').

 **Key details:** The Treaty sets minimum legal standards to define and prosecute environmental crimes, such as unlawful pollution, ecosystem destruction, illegal waste trafficking, and severe habitat damage. It designates "particularly serious offences" for actions causing irreversible or widespread harm and mandates penalties for corporate offenders, including fines, disqualification from commercial activities, and orders for environmental restoration. Member states must sign the Treaty for it to become binding.

In addition to the new Treaty, the Committee of Ministers also adopted a new long-term [strategy](#) on the environment, aimed at addressing the accelerating environmental crisis through the lens of human rights, democratic governance, and the rule of law.

2. France launches High-Integrity Carbon Credit Charter (multi-sector)

 **What:** On 24 April, the French government unveiled a new [Charter](#) for Paris-aligned and High-Integrity Use of Carbon Credits. This initiative aims to bolster France's progress towards its net zero goals by enhancing the credibility and transparency of the carbon market.

 **Key details:** The Charter, announced by Agnès Pannier-Runacher, French Minister for Ecological Transition, Biodiversity, Forests, the Sea, and Fisheries, is designed to support the development of a more transparent and credible international carbon market. It aligns with the standards set under Article 6.4 of the Paris Agreement, which were agreed upon during the COP29 UN Climate Conference in November 2024. These standards provide a framework for the validation, verification, and issuance of high-quality carbon credits. The Charter focuses on two main commitments for companies:

- **Decarbonisation First:** Companies are required to prioritise their own emission reductions across all scopes and use carbon credits only as a complement, not a substitute, to these efforts. This includes establishing a global Net Zero pathway and targets validated by an independent institution; and
- **Integrity of Carbon Credits:** Companies must ensure that the carbon credits they use are aligned with Article 6.4 and approved under the Integrity Council for Voluntary Carbon Markets (ICVCM) Core Carbon Principles. This ensures the highest integrity and quality of carbon credits used.

Seventeen international companies have already signed the pledge, committing to these principles.

 **Our view:** Whilst the Charter's success will depend on its wide adoption by the market, it represents a significant step in France's climate strategy, sending a clear message to global carbon markets about the responsible use of carbon credits as should not be considered a free pass but a tool for addressing unavoidable emissions.

UK DEVELOPMENTS

1. FCA pauses plans to extend SDR to portfolio managers (asset management)

 **What:** On 30 April, the FCA updated its [webpage](#) relating to [CP24/8](#), on extending the Sustainability Disclosure Requirements (SDR) and investment labels regime to portfolio management.

 **Key details:** Following the FCA's introduction of measures relating to SDR and investment labels for fund managers, the FCA consulted on extending those measures to portfolio managers. Overall, respondents had offered support for extending SDR to portfolio management, with most respondents agreeing it is an important step toward improving consumer outcomes. In its latest update, the FCA has confirmed that following feedback received on CP24/8 and broader regulatory work affecting portfolio managers, it has decided that it is "not the right time" to finalise rules on extending SDR to portfolio management. Instead, it plans to prioritise its multi-firm review into model portfolio services, which will focus more broadly on how firms are applying the [Consumer Duty](#) to provide confidence that investors are receiving good outcomes from model portfolio services.

The recent updates will mean portfolio managers should consider broader obligations under the Consumer Duty regime, and are reminded of their obligations to comply with the anti-greenwashing rule, which has applied since 31 May 2024.

2. Climate Change Committee report on climate adaptation (multi-sector)

 **What:** On 30 April, the Climate Change Commission (CCC) issued its 2025 [report](#) to Parliament on how the UK is progressing on adapting to climate change. The report assesses the extent to which the UK's Third National Adaptation Programme (NAP3) and its implementation are preparing the UK for climate change.

 **Key details:** The key message in the CCC's assessment is that the UK's preparations for climate change are inadequate. The majority of the assessment outcomes have the same low scores as in 2023 revealing that adaptation progress is either too slow, has stalled, or is heading in the wrong direction, suggesting that NAP3 has been ineffective.

The CCC suggest four key areas of action to raise the profile of adaptation across government and drive a more effective response to the UK's changing climate:

- Improve objectives and targets: To provide an actionable and measurable framework for the rest of government and beyond;
- Improve coordination across government: Government adaptation efforts must be better linked with wider resilience planning to ensure that adaptation becomes a true cross-government priority;
- Integrate adaptation into all relevant policies: The next Spending Review should ensure that climate adaptation planning is supported with sufficient resources across government. Public assets, and critical public services such as the NHS, need to be resilient to current and future weather so that they can operate effectively; and
- Implement monitoring, evaluation and learning across all sectors: Adequate monitoring and evaluation, underpinned by regular data collection and reporting, is essential to track climate impacts and the effect of adaptation measures at a national level.

AMERICAS DEVELOPMENTS

1. CSA Pauses Climate and Diversity Disclosure Projects (multi-sector)

 **What:** On 23 April, the Canadian Securities Administrators (CSA) [announced](#) a pause on the development of new mandatory climate-related and diversity-related disclosure rules. This decision is intended to support Canadian markets and issuers as they adapt to recent global developments, particularly in the United States.

 **Key details:** The CSA's decision reflects the rapidly changing global economic and geopolitical landscape, which has increased uncertainty and competitiveness concerns for Canadian issuers. The pause aligns with the CSA's recent regulatory shift to reduce friction for capital raising in Canada, allowing existing broad-based disclosure requirements to shape issuers' climate and diversity disclosures instead of mandating enhanced rules.

Despite the pause, issuers remain subject to Canadian continuous disclosure requirements, which mandate the disclosure of material climate-related risks affecting their business. The CSA encourages issuers to refer to the Canadian Sustainability Standards Board's voluntary disclosure framework for guidance on sustainability and climate-related disclosures.

The CSA also continues to monitor greenwashing and misleading climate-related disclosures, reminding issuers to ensure their environmental claims are specific, factual, and balanced. The pause does not affect issuers' obligations under the greenwashing provisions added to the Competition Act in 2024, which allow the Competition Bureau to challenge misleading environmental representations.

 **Next steps:** The CSA will monitor domestic and international regulatory developments and expects to revisit both climate-related and diversity-related disclosure projects in future years. Issuers will be provided with appropriate notice ahead of any changes to the status of these projects.

APAC DEVELOPMENTS

1. India Government publishes draft Climate Taxonomy (financial institutions)

 **What:** The Ministry of Finance of India released its long-anticipated draft [Climate Finance Taxonomy](#) (Taxonomy). The Taxonomy is intended to help direct capital toward projects that support India's ambitious net zero by 2070 goal and its 45 percent emissions intensity reduction by 2030.

 **Key details:** The Taxonomy sets out the principles, objectives, and sectoral scope for classifying economic activities as climate-aligned or transition-supportive and is aimed at investors, financial institutions, and policymakers to provide clear criteria to channel investments into projects that genuinely contribute to India's climate goals. The Taxonomy classifies activities into two broad categories:

- Climate-supportive activities: Those that directly reduce emissions, enhance adaptation, or support relevant research and development; and
- Transition-supportive activities: Projects that improve energy efficiency or reduce emissions intensity in sectors where full decarbonisation is currently not feasible.

Once the Taxonomy is finalised, it will provide a framework to enable firms to track and measure climate-aligned investments with greater accuracy, improve ESG performance by ensuring capital is directed to activities meeting rigorous sustainability criteria and enhance transparency. Similar to other Taxonomies, it is also expected to facilitate the mitigation of greenwashing risks.

 **Next steps:** The draft is available for consultation until 25 June following which, relevant rules will be embedded into relevant local regulation.

2. China issues draft Climate Disclosure Standard as part of 2030 ESG Roadmap (financial institutions)

 **What:** On 30 April, China's Ministry of Finance issued a [draft climate-related disclosure standard](#), advancing its national ESG reporting framework. This move is part of China's broader goal to implement a mandatory ESG disclosure regime for all companies by 2030.

 **Key details:** The draft standard complements the Basic Standards (Trial) released in December 2024 and is open for public consultation until 31 May 2025. It aligns closely with international frameworks such as IFRS S1 and S2 (ISSB), while incorporating China-specific priorities including rural development. Companies are expected to disclose on four main pillars: governance, strategy, risk and opportunity management, and metrics and targets.

The standard emphasises reporting Scope 1, 2, and 3 emissions using China's national carbon standards alongside the GHG Protocol. While voluntary for now, it is expected to become mandatory for listed companies before being expanded more widely.

The framework encourages, but does not require, third-party assurance of climate disclosures

 **Our view:** Companies operating in or investing in China should carefully review the draft and consider how their current climate reporting measures up against these standards and begin preparing for a phased shift to mandatory ESG reporting by 2030. The alignment with ISSB and global best practices will

also facilitate reporting convergence for multinationals, though local adjustments such as rural impact must be closely tracked. We recommend participating in the consultation process where appropriate and preparing internal systems for Scope 3 emissions mapping and data collection.

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 TNFD are conducting a [survey](#) of corporates, financial institutions and market service providers across geographies and sectors to understand the global landscape of nature-related assessment and reporting practices.
- **Global:** On 16 May, the UN [announced](#) that standards for measuring emissions reductions of projects under Article 6.4 of the Paris Agreement have been agreed.
- **EU:** On 28 April, the EBA launched a [risk dashboard](#), which contains key indicators on climate-related risk for large and listed institutions in the European Union.
- **EU:** On 12 May, the European Commission made [amendments](#) to the state aid Implementing Regulation 794/2004 and the state aid Best Practices Code (BPC) to introduce new rules to provide public access to justice in environmental matters.
- **UK:** The [Misogyny Bill](#), proposed as part of the Scottish Government's Programme for Government 2024-25, was abandoned on 2 May. Instead, the Hate Crime and Public Order (Scotland) Act 2021 will be amended to give women the same protections as other groups protected by that Act.
- **UK:** On 12 May, the Law Society of England and Wales published a [practice note](#) on climate risk and conveyancing for solicitors.
- **UK:** The Chair of the independent review of greenhouse gas removals (GGRs) has issued a [call for evidence](#) on how GGRs can assist the UK in meeting its carbon budgets and net zero targets to 2050 under the Climate Change Act 2008.

ESG DISPUTES ROUND-UP

The past month has been packed with ESG disputes. We have seen a big rise in greenwashing litigation and complaints relating to plastics, another case against Shell from Friends of the Earth, and the pro/anti-ESG movements in the U.S continuing to lock horns. But first, a few short noteworthy updates:

A ban on fossil fuel adverts in The Hague has been [upheld](#) by a Dutch court, in a "historic ruling" that campaigners hope will embolden other cities to take action.

Climate NGOs have [filed a complaint with the European Ombudsman](#), challenging the EU's development of the Omnibus proposal, which they claim seeks to significantly water down key EU sustainability laws that were recently adopted.

The UK Supreme Court has [rejected Dyson's application to appeal](#) the ruling made by the Court of Appeal in December 2024 that the legal claim by migrant workers at the two Malaysian factories can be heard in the UK. The Court found that the application did not raise a point of law of general public importance, therefore letting the claim proceed to trial.

1. Plastics greenwashing action on the rise (multi-sector)

 **What:** We are seeing a significant increase in complaints brought against alleged plastics polluters where those companies have falsely advertised their products as recyclable and/or sustainable. Earlier this month, Coca-Cola [agreed to revise](#) misleading recycling claims on its packaging, following a legal complaint filed with the European Commission by NGOs in November 2023. The U.S. Virgin Islands has also [filed a lawsuit](#) against both Coca-Cola and PepsiCo, accusing them of falsely advertising their plastic bottles as recyclable, while much of the waste ends up polluting beaches and landfills.

Last month, [the Australia Competition and Consumer Commission \(ACCC\) fined Clorox](#), the U.S.-based cleaning products maker, \$5.2 million over false claims of using recycled plastic. The ACCC found that the company had falsely claimed on its "GLAD" kitchen and garbage bags that these were made of at least half recycled oceanic plastic waste. In reality, over 2.2 million of these bags were made of approximately 50 percent plastic waste collected from Indonesian communities without formal waste management systems, and up to 50km from any shoreline.

 **Our view:** With regulators and other stakeholders scrutinising green claims about plastics, companies should ensure that any such claims are accurate and have been robustly verified. If there are components of products which are not recyclable, or markets in which recycling products is significantly more difficult, any green claims should be qualified accordingly.

2. Friends of the Earth / Shell (energy sector)

 **What:** On 13 May, the Dutch branch of Friends of the Earth (Milieudefensie) [announced](#) its intention to file a new lawsuit against Shell.

 **Key details:** The NGO claims that Shell's recent investments in new oil and gas fields breach its legal duty of care under Dutch law by not dramatically reducing its investments in fossil fuels and not putting in place what it considers an adequate climate strategy. Milieudefensie argues that Shell's climate strategy for 2030-2050 is "*woefully inadequate*" and aims to use this legal action to halt any further oil and gas expansion.

 **Our view:** This is the second claim which Milieudefensie has formulated against Shell. Milieudefensie's first claim aims to force Shell to reduce its greenhouse gas emissions in line with the Paris Agreement. The first claim is currently before the Dutch Supreme Court, after the Court of Appeal overturned a first-of-its-kind ruling that Shell was to reduce its greenhouse gas emissions by 45 percent. Although the appeal court refused to set a specific legal climate goal it did rule that Shell has a "*special responsibility*" to cut its emissions as a fossil fuel company. Milieudefensie is using this ruling to justify its latest legal threat, which may set an example for other climate NGOs to take similar action against other fossil fuel companies.

3. Pro/Anti-ESG movements in the US continue to trade blows (multi-sector)

 **What:** The courts in the U.S. are continuing to mediate the Trump administration's rollback of climate policies brought in under previous administrations, as well as attempts to curtail pro-ESG cases where these are seen to contradict the administration's energy policy. The following cases this month demonstrate this trend:

- This month, [Hawaii filed a lawsuit](#) against major fossil fuel companies and the American Petroleum Institute, accusing them of decades-long climate deception that worsened climate impacts across the islands. The Trump administration [attempted to pre-emptively block Hawaii](#) and other states from suing fossil fuel companies, claiming such lawsuits interfere with national energy policy.
- In April, climate NGO groups were [successful in unfreezing grants up to \\$20 billion](#) extended under the Biden administration's Greenhouse Gas Reduction Fund. The funds were frozen by the Trump administration in mid-February to halt climate and environmental funding.
- Also last month, environmental NGO the Center for Biological Diversity [sued four Cabinet-level agencies](#) for failing to release information on the Trump administration's day-one "*unleashing American energy*" executive order to boost the oil industry and other fossil fuel producers by rolling back and eliminating environmental safeguards.

 **Our view:** As the conflict between the pro- and anti-ESG movements continues, firms in the U.S. will need to tread a careful line between compliance with their obligations under existing environmental regulations (such as the EPA and Clean Air Act). However, at the same time, they should be aware of any political ramifications of taking a position inconsistent with the current administration's policies.

4. Australian Parents for Climate Action v EnergyAustralia (multi-sector)

 **What:** On 19 May, in a landmark Australian case, EnergyAustralia has [apologised](#) to 400,000 customers of its 'Go Neutral' product, confirming it has shifted to "direct emissions reductions" after settling a legal battle over accusations it was greenwashing.

 **Key details:** Australian Parents for Climate Action, had alleged that EnergyAustralia's marketing of "Go Neutral" products amounted to misleading or deceptive conduct contrary to s 18 of the [Australian Consumer Law](#). On their website EnergyAustralia made the following claims on their website

- Go Neutral electricity and gas is "carbon neutral";
- Emissions created by Go Neutral electricity and gas are "cancelled out" or "negated"; and
- By opting into these products, consumers "have a positive impact on the environment".

Australian Parents for Climate Action argued that these statements were misleading or deceptive on the grounds that paying someone to avoid generating emissions is not equivalent to removing emissions from Go Neutral energy, paying someone to remove carbon emissions from the atmosphere does not cancel out or negate the emissions from Go Neutral energy and the emissions will ultimately result in a net increase in greenhouse gas emissions in the atmosphere. The case was settled before the trial date resulting in wind down of the Go Neutral product and the public apology.



Our view: This case highlights the significance of carbon offsets in corporate climate statements and their validity in supporting extensive claims such as "carbon neutral." As regulators and consumers increasingly seek transparency, businesses employing environmental marketing will face increasing exposure to legal and reputational risks.

ESG CONSULTATION ROUND-UP

In addition to ISSB [exposure draft](#) proposing amendments to IFRS S2, Climate-related Disclosures, which is open for comments until 27 June (see above "Global Developments"), [China's draft climate disclosure standard consultation](#) is open for public consultation until 31 May 2025. (see above "Asia Developments"). Beyond this, there are other 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 call for evidence to simplify SFDR (financial services)

 **What:** On 3 May, the EU Commission (EC) published a [Call for Evidence](#) (CforE) to form an impact assessment on a revision of the Sustainable Finance Disclosure Regulation (SFDR).

 **Key details:** The assessment aims to:

- Simplify key concepts;
- Streamline and reduce disclosure requirements focusing on the most essential information for investors; and
- Consider the case for categorising financial products that make sustainability-related claims.

The EC notes that while the SFDR has been effective in increasing transparency and giving investors access to detailed ESG information there are concerns about the lack of legal clarity on key concepts, the limited relevance of certain disclosure requirements, overlaps and inconsistencies with other parts of the sustainable finance framework, and data availability concerns. These issues present a heightened risk of greenwashing, as well as in some cases, unwarranted exclusion of certain sectors because of how some rules are applied in practice.

 **Next steps:** At this stage, the CforE is very high level so there is not too much in the form of detail to report. For firms wishing to respond, feedback is open until 30 May 2025 with a view to incorporating the feedback into the Commissions SFDR revision work plan which is currently targeted for Q4 2025. See [here](#) for our insights article.

2. ESMA consults on rules for ESG rating providers (ESG rating providers)

 **What:** On 2 May, ESMA published a [consultation paper](#) on regulatory technical standards (RTS) under the [ESG Rating Regulation](#) concerning the transparency and integrity of ESG rating activities.

 **Key details:** The consultation relates to the technical standards establishing key aspects of the regulatory regime for ESG rating providers.

The draft RTS cover the following aspects in respect of ESG rating providers:

- Information that should be provided in the applications for authorisation and recognition;
- Measures and safeguards that should be put in place to mitigate risks of conflicts of interest within ESG rating providers who carry out activities other than the provision of ESG ratings; and
- Information that they should disclose to the public, rated items and issuers of rated items, as well as users of ESG ratings.

 **Next steps:** The consultation closes to comments on 20 June 2025 with a final report and draft RTS to the European Commission to follow for adoption expected in October 2025. Relevant service providers should review and provide feedback before the consultation ends. See [here](#) for our detailed briefing.

3. PRA consults on approaches to managing climate risks (financial institutions)

 **What:** On 30 April, the UK Prudential Regulatory Authority (PRA) published a [consultation paper](#) (CP 10/25) on updating supervisory statement ([SS3/19](#)) on enhancing banks' and insurers' approaches to managing climate-related risks.

 **Key details:** The PRA has noted that since it first set expectations for firms on climate change in 2019, firms have started to build their climate-related risk management capabilities, but progress is inconsistent and more needs to be done to meet expectations. The PRA proposals, which are intended to apply in a proportionate manner, includes:

- **Governance.** The proposals add detail and clarity and emphasise the need for the board to set and own the overall business risk appetite for climate, which should be based on analysis drawn from the risk management function and cascaded across firms' business lines;
- **Risk management.** The PRA proposals introduce clearer expectations for each element of the risk management framework and clarify how the existing PRA policies related to management of risks to firms should be applied to climate-related risks;
- **Climate scenario analysis (CSA).** The PRA expectations focus on the use cases and objectives of CSA, and aim to ensure firms understand the calibration of CSA; and

Disclosures The PRA proposes to add references to the UK sustainability reporting standards (SRS).

 **Next steps:** The consultation closes to comments on 30 July 2025. The PRA also published a [speech](#) by David Bailey, executive director of prudential policy on 'maintaining momentum and managing climate risk in a changing world', which further sets out the PRA's expectations.

4. UK publishes CBAM Consultation and Policy Paper (multi-sector)

 **What:** On 24 April, HM Treasury published a technical [consultation](#) on the draft primary legislation for the UK Carbon Border Adjustment Mechanism (CBAM), a supporting [policy](#) update and a high-level [factsheet](#).

 **Key details:** The technical consultation seeks views on whether the draft legislation delivers CBAM policy correctly and effectively. The draft legislation, which will be included in the Finance Bill, sets out the scope of the CBAM, how CBAM liability is calculated and how the CBAM will be administered. The CBAM policy update summarises the scope and design of the CBAM. In particular, the policy update confirms that the government has decided to:

- Proceed with the "free allocation adjustment" approach to calculating the CBAM rate. This will reduce the CBAM rate to reflect the existence of free UK Emissions Trading Scheme (UK ETS) allowances available to each domestic sector. There will be a single CBAM rate per sector;
- Allow carbon pricing schemes that use standardised emissions factors to quantify the embodied emissions in the CBAM good to be deductible from a person's CBAM liability;
- Provide flexibility to allow the government to implement obligations in international agreements in relation to carbon prices in other jurisdictions, to claim carbon price relief; and

- Introduce powers for an exemption for goods originating in a jurisdiction that has made arrangements to link their emissions trading scheme with the UK ETS.



Next steps: The consultation is open for comment until 3 July. The CBAM is due to commence on 1 January 2027.

LATEST SIMMONS ESG INSIGHTS

Upcoming webinars

- [From Strategy to Implementation: Delivering Net Zero in Real Estate](#) (11 June 2025)
With increasing regulatory and market demands, investors must navigate a rapidly evolving ESG landscape. This panel will explore practical strategies to achieve net zero carbon goals, integrating portfolio-level planning with asset-specific technical solutions.
- [Seas of Opportunity: A Live Launch of the Blue Economy Guide](#) (02 June 2025)
We're thrilled to invite you to a special live webinar marking the launch of our Blue Economy Insights Guide, "*Seas of Opportunity: A Guide to the Blue Economy*" - the result of a unique collaboration between Simmons and leading UK charity, the Marine Conservation Society.
This event celebrates the culmination of our 17-episode podcast series, "[Seas of Opportunity: Navigating the Blue Economy](#)", in which we brought together voices from business, policy, finance, and conservation to explore the key challenges and opportunities facing our ocean.

Past webinars

- [ESG litigation and regulatory enforcement trends](#) (15 May 2025)
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

- [Next-gen climate innovators selected for our GreenTech Fund 2025](#) (19 May 2025)
- [ESG: ESMA consults on draft RTS under ESG Rating Regulation](#) (8 May 2025)
- [ESG: Commission calls for views on revising the SFDR](#) (7 May 2025)
- [Simmons advises the British Business Bank on social impact programme](#) (19 May 2025)

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.



Sonali Siriwardena

Partner, Global Head of ESG

T +44 20 7825 4595

E Sonali.Siriwardena@simmons-simmons.com



ESG Team

T +352 26 21 16 23

E esg@simmons-simmons.com

NOT YET A RECIPIENT OF OUR ESG VIEW?

If you would like to receive our ESG View in your inbox on a monthly basis, please subscribe [here](#).

** representative office not practising US law.*

simmons-simmons.com

© Simmons & Simmons LLP and its licensors. All rights asserted and reserved. This document is for general guidance only. It does not contain definitive advice.

Simmons & Simmons LLP is a limited liability partnership registered in England & Wales with number OC352713 and with its registered office at Citypoint, 1 Ropemaker Street, London EC2Y 9SS, United Kingdom. It is authorised and regulated by the Solicitors Regulation Authority and its SRA ID number is 533587. The word "partner" refers to a member of Simmons & Simmons LLP or an employee or consultant with equivalent standing and qualifications. A list of members and other partners together with their professional qualifications is available for inspection at the above address.