

# ESG Strategist

Financial Markets & Sustainability Research | 26 February 2025

## Omnibus: watering down EU's climate ambitions

Marta Ferro Teixeira, Fixed Income Strategist | [marta.ferro.teixeira@nl.abnamro.com](mailto:marta.ferro.teixeira@nl.abnamro.com)

- **The European Commission (EC) released the Omnibus proposal yesterday**
- **The documents signal a relaxation of the EC's climate standards**
- **The biggest change regards the number of entities required to report under the CSRD which is likely to decrease by 80%, excluding all SMEs or companies with fewer than 1,000 employees**
- **The former would only need to report under voluntary standards (VSME)**
- **Moreover, according to the proposal, financial entities are also exempt from reporting obligations under the CSDDD**
- **With regards to changes in the Taxonomy Disclosures Delegated Act, loans to SMEs are excluded from Green Asset Ratios' calculations**
- **The proposal still requires approval by the European Parliament and Council, so further changes are expected**
- **Nonetheless, we view this proposal as a relaxation of the EC's standards, risking a deterioration in ESG data quality and availability**

Yesterday, the European Commission (EC) published the Omnibus proposal (see [here](#)). This proposal follows the recommendations of the Draghi [report](#) and the EC's promise to reduce administrative burdens by at least 25% and by at least 35% for SMEs before the end of the mandate in 2030. It aims to provide substantial simplification in the field of sustainability regulations, while squaring the EU's ambitions towards a sustainable transition and enhancing EU companies' competitiveness.

The package released by the EC includes amendments to the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the InvestEU Regulation, and the Carbon Border Adjustment Mechanism (CBAM), which we will analyse in a later note. The package is accompanied by a draft Taxonomy Delegated Act for public consultation.

In this note we will analyse the proposed changes and compare them to the previous regulations. Moreover, we conclude by making an assessment of how these changes will impact the transition and the achievement of EU's 2050 climate targets.

### CSRD

In the table below we compare the CSRD adopted in November 2022 with the new proposal.

CSRD	New proposal
Applies to all companies meeting two of the three thresholds: <ol style="list-style-type: none"> <li>1. EUR 50 million net turnover;</li> <li>2. EUR 25 million balance sheet total; and/or</li> <li>3. At least 250 employees.</li> </ol>	Large companies with more than 1000 employees, and either: <ol style="list-style-type: none"> <li>1. A turnover above EUR 50 million;</li> <li>2. A balance sheet above EUR 25 million</li> </ol>
Applies to listed SMEs	Companies that do not meet the above criteria may choose to report <b>voluntarily</b> on the basis of a simplified voluntary standard to be adopted by the Commission (VSME developed by the European Financial Reporting Advisory Group (EFRAG))
Timeline of application: <ol style="list-style-type: none"> <li>1. large public interest entities with more than 500 employees must report for the first time in 2025 for financial year 2024;</li> <li>2. Other large undertakings must report in 2026 for financial year 2025;</li> <li>3. SMEs with securities listed in EU regulated markets must report in 2027 for financial year 2026;</li> <li>4. Certain non-EU undertakings that have business in the EU above certain thresholds must report in 2029 for financial year 2028.</li> </ol>	<b>Postponement by two years</b> the entry date of the reporting requirements for large companies that have not yet started implementing the CSRD and for listed SMEs ( <b>points 2 and 3</b> )
Reporting requirements: Sector-agnostic standards as defined by the ESRS & sector-specific standards (not yet disclosed)	Reporting requirements: <b>Deletion of sector-specific standards</b> & revision of sector-agnostic standards with the aim to substantially reduce the number of data points

Some of the changes are in line with the recommendations we shared in our previous [note](#), but the Omnibus also includes some surprises which might indicate a relaxation of the European Commission’s standards, and ultimately, of their climate ambitions.

For example, based on the numbers disclosed by the European Commission, the number of companies subject to the CSRD will decrease by about 80% if the European Parliament adopts this proposal. This would exempt listed small and medium-sized enterprises (SMEs) and companies with fewer than 1,000 employees from the reporting requirements. However, SMEs collectively contribute a significant share of total enterprise emissions, accounting for 63.3% of all CO2 and greenhouse gas emissions by enterprises, as noted in a previous [report](#). Therefore, these companies will still need to reduce emissions if the European Commission is to uphold its climate commitments. Excluding them from reporting requirements does not address the obstacles they face in transitioning, nor does it equip them with the necessary tools for measuring and monitoring emissions. Removing the incentives for SMEs to gain insights into their emissions will likely reduce their motivation to lower those emissions as well.

Furthermore, banks and other large non-financial entities are still required to comply with the SFRD and the CSRD. To fulfil these obligations, they depend on disclosures from SMEs, as the carbon footprint of SMEs is effectively part of their own carbon footprint. Allowing SMEs to make disclosures voluntarily could hinder the reporting obligations of these larger entities, resulting in large data issues. Ultimately, this will likely affect investors as well, as they rely on such disclosures to assess and manage risks. In short, data credibility and availability is at stake.

Finally, in what regards the standards developed by the ESRS, we are supportive of their revision and consequent simplification. As mentioned in our previous note, emphasis should be placed on developing robust quantitative metrics that are genuinely useful for decision-making by investors, rather than generating lengthy qualitative statements. Ultimately, qualitative criteria are harder to assess and require a judgment call from investors.

However, concerning the proposal to delete sector-specific standards, this would also hinder the progress done so far. Indeed, various stakeholders agree that tailored guidelines are crucial to more effectively address the unique challenges and impacts of different industries. For instance, industries such as mining, energy, agriculture, or technology have distinct environmental and social impacts that generic standards might not adequately capture. Also investors often favour sector-specific standards for reporting because they provide more detailed and comparable data, enabling better assessment of risks and opportunities within specific industries.

## CSDDD

Below we present the main differences between the previous CSDDD proposal and the new proposal.

CSDDD	New proposal
Member States should transpose the CSDDD by 26 July 2026	Member States have until 26 July 2027 to transpose the Directive into national law
Entry of application: <ol style="list-style-type: none"> <li>As from July 2027, largest EU companies, i.e. those that have more than 5000 employees and report a net annual (worldwide) turnover of more than EUR 1.5bn, as well as to non-EU companies that generate more than EUR 1.5bn net turnover in the EU</li> <li>From July 2028, EU companies with more than 3000 employees and more than EUR 900 million net turnover, as well as non-EU companies generating such turnover in the EU</li> <li>In July 2029, all other companies falling under the general scope would have to start applying the Directive</li> </ol>	Postponement the first phase of the entry into application of the Directive by one year
Development and implementation of a climate change mitigation transition plan	Aligning requirements on the adoption of transition plans for climate mitigation with the CSRD
Financial institutions included in reporting undertakings	Deleting the review clause on inclusion of financial services in the scope of the due diligence directive

Regarding the changes in application dates, we agree that postponing the adoption of the Directive is the best course of action. This delay will provide companies some additional time to prepare for implementing the new framework. Meanwhile, it is important for the Commission to advance the necessary guidelines to July 2026, enabling companies to better develop best practices and lessen their dependence on legal counselling and advisory services.

Furthermore, streamlining regulatory expectations for transition plans constitutes a positive change to the directive, given that it will improve clarity and support effective implementation. This change will further help investors access valuable data and support their ability to evaluate the transition efforts effectively.

However, the exclusion of financial companies from reporting undertakings – were to be approved – would represent a weakening of the EC's standards, as highlighted in our previous note. In July 2024, The [WBA's Social Benchmark](#) assessed the world's 2,000 most influential companies and found that about 90% of financial institutions scored zero on human rights due diligence. This aligns with the [2022 WBA Financial Systems Benchmark](#) findings, which revealed that 80% of financial institutions did not acknowledge their environmental or societal impacts. Despite the progress observed in the industry, these figures underscore the need for mandatory measures to promote responsible conduct in the finance industry, driving the transition to a more just and sustainable green economy.

## Taxonomy Climate Delegated Act

The Taxonomy Climate Delegated Act sets out reporting obligations laid down in Article 8 of the EU Taxonomy. It specifies key performance indicators for financial and non-financial undertakings. While non-financial undertakings have to report on the Taxonomy-alignment of their turnover, capital and operation expenditures (turnover, CapEx, OpEx KPIs), financial undertakings report on the percentage of their investments and their assets under management that are aligned with the EU Taxonomy. As regards credit institutions, the key metric in this assessment is the Green Asset Ratio (GAR), which measures the proportion of Taxonomy-aligned assets to total covered assets in a credit institutions' current (GAR stock) and future portfolios (GAR flow). Therefore, and in line with the changes to the CSRD, loans to SMEs were excluded from the GAR, regardless of their environmental credentials, as per the Taxonomy Disclosures Delegated Act.

## Some changes are still expected to the final Omnibus

To conclude, the changes proposed under the Omnibus proposal seem to constitute a loosening of the EC's standards, despite a few positive changes.

The most notable change is the 80% reduction in the number of companies required to report under the CSRD. If this change is approved, banks, large enterprises, and investors would become increasingly reliant on voluntary reporting. Moreover, for financial undertakings, it will prove even more challenging to comply with reporting standards were these to remain unchanged. Ultimately, there is a clear risk that these proposed changes could undermine the credibility of the data. Therefore, it remains to be seen whether providing detailed guidelines and support to SMEs for their reporting requirements would be more beneficial and efficient than excluding them from the regulations.

However, it is important to note that this Omnibus proposal is still just that—a proposal. The legislative proposals will now be submitted to the European Parliament and the Council for consideration and adoption. The changes to the CSRD, CSDDD, and CBAM will only take effect once the co-legislators have reached an agreement on the proposals and they are published in the EU Official Journal.

## DISCLAIMER

ABN AMRO Bank N.V., with registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands (AA), is responsible for the production and the dissemination of this document, which has been prepared by the individual working for AA or any of its affiliates (except ABN AMRO Securities (USA) LLC) and whose identity is mentioned in this document.

This document has been generated and produced by a Fixed Income Strategist ("Strategists"). Strategists prepare and produce trade commentary, trade ideas, and other analysis to support the Fixed Income Sales and Trading desks. The information in these reports has been obtained or derived from sources that are publicly available, such as Bloomberg and LSEG; AA makes no representations as to its accuracy or completeness. Although AA has a strict rule using only the most reliable sources, these sources might not meet that rule at all times. The analysis of our Strategists is subject to change and subsequent analysis may be inconsistent with information previously provided to you. Strategists are not part of any department conducting 'Investment Research' and do not have a direct reporting line to the Head of Fixed Income Trading or the Head of Fixed Income Sales. The view of the Strategists may differ (materially) from the views of the Fixed Income Sales and Trading desks or from the view of the departments conducting 'Investment Research' or other divisions.

This document has been prepared by AA and for the purposes of Regulation (EU) No. 596/2014 and has not been prepared in accordance with the legal and regulatory requirements designed to promote the independence of research. As such regulatory restrictions on AA dealing in any financial instruments mentioned in this marketing communication at any time before it is distributed to you, do not apply.

This document is for your private information only and does not constitute an analysis of all potentially material issues nor does it constitute an offer to buy, hold or sell any investment. Prior to entering into any transaction with AA, you should consider the relevance of the information contained herein to your decision given your own investment objectives, experience, financial and operational resources and any other relevant circumstances. Views expressed herein are not intended to be and should not be viewed as advice or as a recommendation. Any views or opinions expressed herein might conflict with investment research produced by AA. You should take independent advice on issues that are of concern to you.

Neither AA nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this communication.

This document is not intended for distribution to, or use by any person or entity in any jurisdiction where such distribution or use would be contrary to local law or regulation. In particular, this document must not be distributed to any person in the United States or to or for the account of any "US persons" as defined in Regulation S of the United States Securities Act of 1933, as amended.

### CONFLICTS OF INTEREST/DISCLOSURES

AA and its affiliated companies may from time to time have long or short positions in, buy or sell (on a principal basis or otherwise), make markets in financial instruments of, and provide or have provided, investment banking, commercial banking or other services to any company or issuer named herein.

Any price(s) or value(s) are provided as of the date or time indicated and no representation is made that any trade can be executed at these prices or values. For a list of all Fixed Income recommendations that AA disseminated in the preceding 12 months, we refer to our latest Fixed Income Convictions publication on our website <https://insights.abnamro.nl/en>.

AA undertakes and seeks to undertake business with companies, financial institutions and public sector organisations covered in its reports. As a result, investors should be aware that AA may have a conflict of interest that could affect the objectivity of this report. AA and/or an affiliate regularly trades, generally deals as principal, and generally provides liquidity (as market maker or otherwise) in financial institutions thereof, that might be the subject of this report.

Furthermore Strategists routinely consult with AA's Sales and Trading desk personnel regarding market information including, but not limited to, pricing, spread levels and trading activity of a specific fixed income security or financial instrument, sector or other asset class.

AA is a primary dealer for the Dutch state and is a member of the Bund Issues Auction Group for the German state. Furthermore, AA is a member of the Market Group of the EFSF as well as ESM. To the extent that this report contains trade ideas based on macro views of economic market conditions or relative value, it may differ from the fundamental credit opinions and recommendations contained in credit sector or company research reports and from the views and opinions of other departments of AA and its affiliates. Any graph or other illustration that is displayed in this document and includes (a comparison of) financial instruments is intended for illustration purposes only and does not contain any investment recommendation, unless otherwise stated in this document.

Trading desks may trade, or have traded, as principal on the basis of the research analyst(s) views and reports. In addition, Strategists receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, Trading desk and firm revenues and competitive factors. As a general matter, AA and/or its affiliates normally make a market and/or trade as principal in securities discussed in marketing communications.

Recommendations made are not part of any agreement with the issuer company (including financial institutions and public sector organisations). The author of this recommendation has not consulted any issuer or external party before disseminating the recommendations made in this publication.

AA has clear policies and restrictions with regard to personal account dealing, including restrictions for Research analysts from trading in any financial instruments they cover.

Within our publications we regularly use the term fair value. Fair value does not constitute a long term investment recommendation and only applies to the date of issuance of the financial instrument and the market conditions on that day. For this reason we do not keep a history list with fair values.

Publications from Group Economics are being published periodically, depending the market circumstances and are subject to change at the time of changing market conditions.

AA is authorised by De Nederlandsche Bank (DNB), the European Central Bank (ECB) and regulated by the Autoriteit Financiële Markten (AFM) for the conduct aspects of its business in the Netherlands and the Financial Conduct Authority for activities undertaken in the United Kingdom.

Copyright 2025 ABN AMRO. All rights reserved. This communication is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without express prior consent from AA. This marketing communication is not intended for distribution to retail clients under any circumstances.