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## Deregulating to No Avail: How the Omnibus Package Falls Short in Simplifying Key EU Green Deal Instruments

“Simplification promised, simplification delivered” – is what EU Commission President Ursula von der Leyen announced when she presented the Omnibus package on 26 February 2025. Consisting of two proposals, Omnibus I and II, the package presents numerous changes to key Green Deal instruments, which were originally designed for Europe’s just socio-ecological transition.

By labelling the proposed changes a “simplification”, the EU Commission implies that the same goal – namely a green Europe – can be achieved in a manner that is less burdensome for those subject to regulation. However, as this contribution shows, the Omnibus package falls short in its aim to simplify. Rather, it proposes to diminish scopes, delay timelines and soften enforcement, thus compromising the original goals. The proposed changes appear to bring little benefit to companies, specifically as the unfortunate timing of the Omnibus package may increase bureaucratic burdens for companies rather than reduce them.

This contribution examines the EU Commission’s political U-turn reflected in the Omnibus package, providing an overview of the proposed changes and assessing their implications, specifically the impact of revised timelines. The analysis focuses on reforms to sustainability reporting – widely criticised as a “bureaucracy monster” – and to supply chain regulation, both of which are central to the Omnibus package.

### The EU Commission’s regulatory U-turn

In its previous term (2019-2024), the EU Commission placed the Green Deal at the heart of its agenda: Europe was to become the world’s first climate-neutral continent by 2050, with economic growth decoupled from resource use and no one left behind (European Commission, 2019,

pp. 2, 4). These objectives, adopted in response to the Paris Agreement (UNFCCC, 2016), were enshrined in arguably the world’s most ambitious regulatory framework.

In its current term (since 2024), the Commission has shifted its focus, deprioritising a just socio-economic transition in favour of strengthening EU competitiveness. As announced on 26 February 2025, the Commission now aligns its initiatives under the Clean Industrial Deal, aiming to “open a new chapter of European industrial history defined by growth, resilience, and leadership on the world stage” (European Commission, 2025h, p. 2).

Prompted by the 2024 Draghi Report on EU competitiveness, doubts emerged about whether the EU should maintain its ambitious Green Deal instruments. The report described the “EU’s sustainability reporting and due diligence framework as a major source of regulatory burden, magnified by a lack of guidance on applying complex rules and clarifying the interaction between different pieces of legislation” (Draghi, 2024, p. 318). The reasons given for this assessment, however, are few and only point towards the costs of compliance. While a balanced approach would have weighed bureaucratic costs against the long-term benefits of a sustainable, resilient economy, the Commission chose to uncritically follow the report’s assessment. It moved to cut “red tape”, as it now labels instruments it had previously championed.

Against this backdrop, the Commission proposed the Omnibus package as a set of reforms on 26 February 2025. It aims to scale back several key Green Deal instruments, including those on sustainable finance, sustainability reporting, supply chain due diligence, carbon pricing and European investment programmes.

The EU legislator has already passed the most time-sensitive part of the Omnibus proposal pushing back application and transposition timelines (Directive (EU) 2025/794). The “stop-the-clock” mechanism postpones deadlines for sustainability reporting and supply chain due diligence requirements by two and one year, respectively, and pushes back the deadline for national transposition of supply chain provisions by one year. The legislative process involved the EU Parliament’s vote on fast-tracking the procedure on 1 April 2025, its vote on the stop-the-clock mechanism two days later, and the Council of the European Union’s favourable vote on 14 April 2025. On

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Open Access funding provided by ZBW – Leibniz Information Centre for Economics.

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17 April 2025, the day after its publication in the *Official Journal of the European Union*, the measure entered into force. Votes on further, less time sensitive proposals are to follow.

According to the Commission, the Omnibus package was designed to “simplify EU rules, boost competitiveness, and unlock additional investment capacity” (European Commission, 2025b). For the full Omnibus package, the EU Commission expects the proposals to “bring total savings in annual administrative costs of around €6.3 billion” (European Commission, 2025b). Breakdowns of these estimates can be found in the staff working document accompanying the proposals (European Commission, 2025c, pp. 26-30).

A closer look into the legislative materials raises doubts as to whether the Omnibus package will in fact succeed in simplifying the EU Green Deal’s complex instruments in a manner fruitful to companies as well as the EU and its citizens in the long term. Rather than from simplifying the procedures, the bulk of the savings stems from drastic cuts to the instrument’s scope of application (European Commission, 2025c, pp. 26-30). As this contribution argues, the Omnibus package, inter alia by shrinking scopes, sacrifices sustainability goals while offering few short-term benefits and no long-term gains for companies.

### Green Deal instruments addressed in the Omnibus package

The Omnibus package is divided into two proposals, Omnibus I and II, each containing several legislative proposals. Omnibus I addresses key Green Deal instruments regulating sustainability reporting, supply chain due diligence and carbon pricing. Omnibus II focuses on mobilising investments, notably by amending the InvestEU Regulation.

The main changes introduced by the Omnibus package fall under Omnibus I and concern sustainability reporting. These include amendments to the Corporate Sustainability Reporting Directive (CSRD, Directive (EU) 2022/2464) and the EU Taxonomy Regulation (Regulation (EU) 2020/852), which are the central legislative acts governing sustainability reporting.

In addition, the Omnibus package addresses environmental and human rights due diligence obligations along the supply chain and carbon emissions, amending the Corporate Sustainability Due Diligence Directive (CSDDD, Directive (EU) 2024/1760), sometimes referred to as the EU Supply Chain Act, as well as the Carbon Border Adjustment Mechanism (CBAM, Regulation (EU) 2023/956).

These mechanisms are interlinked – and the Omnibus package, by addressing them together, makes this interconnection more transparent than the original legislation had done. Together, the EU Taxonomy, the CSRD and CSDDD aim to redirect investments to align with the Green Deal’s sustainability objectives for a just socio-economic transition. The EU Taxonomy provides a classification system for sustainability criteria, enabling investors to compare investment options. Central to transparency and disclosure of corporate sustainability performance is the CSRD, which requires companies to submit sustainability reports. Having to be transparent on sustainability, including information on energy use and mix, may by itself nudge companies towards more sustainable business models. Additionally, the CSDDD introduces concrete due diligence obligations to protect human rights and the environment. These conduct-based (rather than result-based) obligations cover the upstream and downstream supply chain (chain of activities), spanning from a company’s suppliers to its distributors. The CSRD complements these standards through reporting obligations, creating transparency whether or not due diligence obligations are met.

### Diminished scopes and weakened enforcement

Key changes brought about by the Omnibus package include diminished scopes of application, weakened enforcement and delayed timelines. Overall, the obligations under the above-mentioned instruments will apply to significantly fewer companies and will take effect later. Additionally, enforcement mechanisms are weakened – both under the CSDDD and, to a lesser extent, under the CSRD (regarding assurance requirements). Other changes reduce the range of suppliers covered under the CSDDD and modify the content of sustainability reporting.

With respect to the number of companies falling within scope, the most significant changes affect sustainability reporting. The Omnibus package aligns the scope of the CSRD and the EU Taxonomy with the – much higher – threshold already applicable to supply chain regulation under the CSDDD: prior to the Omnibus package, the scope, as defined in the Accounting Directive (Directive 2013/34/EU, as amended by the CSRD), applied to large undertakings defined by meeting at least two of three criteria: €50 million net turnover, €25 million balance sheet total and 250 employees. At a later point in time, the CSRD should originally apply to specific capital market-oriented small and medium-sized enterprises (SMEs). Under the Omnibus package, only companies with more than 1,000 employees and either a turnover of €50 million or a balance sheet exceeding €25 million shall now fall within scope.

Introducing the 1,000-employee threshold will result in an estimated 75%-82% reduction in the number of companies in scope of the CSRD (European Commission, 2025c, p. 27). As detailed in the EU Commission's staff working document, this constitutes, at an estimated €4.9 billion, a major share of the projected €6.3 billion in annual administrative relief. According to the Commission's estimates, shrinking the scope of the CSRD will, on its own, save about €3.2 billion, with around €1.2 billion saved on reporting and €2 billion saved on auditing (European Commission, 2025c, p. 28). Shrinking the scope of the EU Taxonomy is expected to save an additional €0.8 billion in reporting and €0.9 billion in auditing. Thus, the overall expected savings from shrinking scopes of applications amounts to €4.9 billion. In comparison, the expected savings from changes to the reporting standards are estimated at €0.2 billion for reporting and €0.3 billion for auditing (European Commission, 2025c, pp. 28-30).

Arguably, shrinking scopes of application does not constitute a genuine simplification: rather than simplifying processes for all covered companies while staying on track for the EU's sustainability transformation, the Commission accepts a much less ambitious outcome, with 75%-82% included in sustainability reporting.

For the CSDDD, the scope of application remains unchanged. The directive was intentionally designed to cover only large companies, to avoid overburdening SMEs. The most significant "slimming" of supply chain regulation concerns the narrowing of the "value chain" coverage to direct business partners (Tier 1). Excluding indirect suppliers – those without contractual relationships with the obligated company – significantly limits the reach of the CSDDD. Some have pointed out that this leaves out the most vulnerable workers, specifically in the informal economy (Raval & Bäumlér, 2025).

Another significant change pertains to the formerly dual system in enforcement. While the CSDDD originally envisioned both public and private enforcement, the Omnibus removes the central provision on private enforcement. Article 29 CSDDD obliged member states to ensure that a company can be held liable for damage caused to a natural or legal person when failing to prevent adverse impacts (Article 10 CSDDD) or failing to bring adverse impacts to an end (Article 11 CSDDD) under specific additional conditions. This included liability for breaching human rights and environmental due diligence obligations. Deleting Article 29 CSDDD means that instead of a unified European approach, civil liability will depend on the member states' diverse liability systems (Wolfers, 2025).

Lastly, some have pointed towards the changed Article 22 CSDDD, which contained the obligation to "adopt and

put into effect" a climate transition plan. This provision is applicable to companies within the scope of the CSDDD which do not have to submit sustainability reports under the CSRD. In their climate transition plans, they must set greenhouse gas (GHG) emission reduction targets, define measures and internal responsibilities in reaching these targets as well as lay out the financing of said measures. The Omnibus now deletes the wording "and put into effect". This has raised suspicion that obligations are weakened in this regard. However, under the earlier version, Recital 73 CSDDD already clarified that "[w]hile companies should strive to achieve the greenhouse gas emission reduction targets contained in their plans, specific circumstances may lead to companies not being able to reach these targets, where this is no longer reasonable." Thus, the deletion of "and put into effect" merely clarifies that companies are only subject to an obligation of conduct, not of result.

### Less reporting, less purpose

The most substantial changes introduced by the Omnibus concern sustainability reporting. As mentioned above, the scope of the CSRD application has been reduced by 75%-82% of the companies that were previously in scope. In addition, the European Commission has announced a revision of the Delegated Regulation ((EU) 2023/2772) establishing the mandatory reporting standards under the CSRD: the European Sustainability Reporting Standards (ESRS, Annex I to Commission Delegated Regulation (EU) 2023/2772). The number of included data points, currently about 1,200, is to be drastically reduced.

Considering the potential benefits that sustainability reporting, as originally designed under the CSRD and ESRS, could bring, these changes are regrettable – both for the EU's sustainability transition and for companies' medium- to long-term development.

Sustainability reporting is built on mechanisms of transparency. According to Recital 9 of the CSRD: "[i]f undertakings carried out better sustainability reporting, the ultimate beneficiaries would be individual citizens and savers, including trade unions and workers' representatives who would be adequately informed and therefore able to better engage in social dialogue".

The information disclosed in annual sustainability reports is designed to reach investors and civil society actors. As Recital 9 states, the EU legislator expects investors to make informed decisions on (re)directing their investments based on the disclosed information and its alignment with EU Taxonomy criteria. Civil society actors are expected to hold companies accountable based on the information provided

about sustainability targets and performance. Business partners and customers, in turn, shall be put into a position to better understand impacts, risks and opportunities (IRO) in their value chains and meet due diligence requirements under the CSDDD and national standards such as Germany's Supply Chain Act (*Lieferkettensorgfaltspflichtengesetz*) or France's Duty of Vigilance law (*Loi de vigilance*).

The CSRD and ESRS disclosures aim to promote sustainability in a broad sense and advance socio-economic transformation. Disclosures are grouped into three categories of environment, social and governance ("E", "S" and "G") and include both targets and performance indicators.

The regulatory structure of the CSRD is relatively complex and dispersed over several legislative acts. As an amending directive, the CSRD modifies the Accounting Directive to include general reporting obligations and provisions on the auditing of sustainability reports (Articles 19a and 29a of the Accounting Directive, as amended). These provisions require (parent) companies to disclose information on: (1) the business model; (2) policies, including implemented due diligence processes; (3) the outcomes of those policies; (4) risks and risk management; and (5) key performance indicators (KPIs) relevant to the business. The specificities of reporting are laid out in the ESRS, developed by the European Financial Reporting Advisory Group (EFRAG) with input from stakeholders and experts.

While the EU Taxonomy, CSRD and ESRS are core elements of the EU Green Deal, the Commission's regulatory U-turn has led to them frequently being labelled as "red tape". The ESRS has faced criticism for being overly comprehensive, with around 1,200 data points, and former German Chancellor Olaf Scholz has argued that the added value of sustainability reporting is "out of proportion to the bureaucratic effort involved" (*Handelsblatt*, 2025).

On closer inspection, sustainability reporting as designed under the CSRD and ESRS offers considerable advantages. The ESRS helps break down complex subject matter, assisting companies in understanding both their inside-out effects (how their activities affect the environment, employees and suppliers) and their outside-in exposures (environmental and social factors affecting the company's strategy). As Rasche and Kell (2025) observe, "the CSRD is, strictly speaking, a management framework and not just a reporting standard". Its potential benefit appears to be often overlooked and underestimated, especially as resources become scarcer and extreme weather events more frequent.

Importantly, no company is required to report on all 1,200 data points. Rather, reporting obligations are limited to disclosures deemed double. Article 19a(1) and Article

29a(1) Accounting Directive, as amended by the CSRD, explain that the reports shall include information "necessary to understand the undertaking's [or group's] impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's [or group's] development, performance and position". As part of this so-called "double materiality assessment", the CSRD requires disclosures on both the impacts of a company on people and the environment (inside-out) and the impacts of external factors on a company (outside-in). Depending on the business model, only a subset – and far fewer than 1,200 data points – will be reported. For example, a services-based company will likely not report any data points on IROs under ESRS E3 (water and marine resources) or ESRS E4 (biodiversity and ecosystems). Thus, the actual reporting burden is far less than the headline figure suggests. EFRAG, as the relevant authority on ESRS, has provided further guidance (EFRAG, 2024).

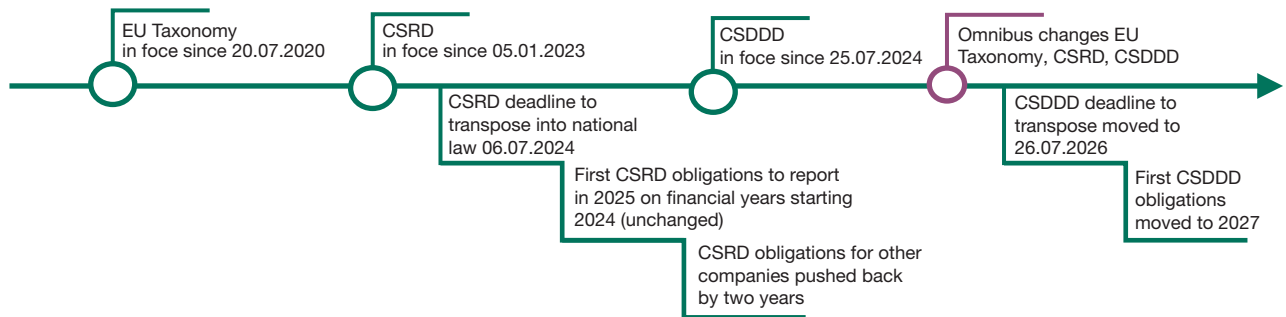
The changes that the Omnibus package brings to the CSRD, however, focus on reducing the data points through a revision of the Delegated Regulation and on clarifying them where they were ambiguous. In addition, the sector-specific standards (which EFRAG was still developing) will no longer be pursued. Both changes should be understood in light of the fact that the ESRS functions more as a set of guidelines than a to-be-completed questionnaire.

With regard to enforcement, another relevant CSRD change concerns assurance requirements. The Omnibus package removes the possibility for the European Commission to replace the limited assurance requirement with a reasonable assurance standard. This affects the CSRD's enforcement framework, which, once transposed into national law, becomes part of member states' accounting regimes – including public enforcement mechanisms enforced with criminal penalties and fines. Lowering the assurance standard thus softens the CSRD's enforcement framework.

### Delaying is not deregulating

At the heart of the Omnibus proposal is the delay of Green Deal instrument timelines. With the vote by the European Parliament and the Council of the EU, the stop-the-clock mechanism was passed, delaying the implementation timelines of both the CSRD and CSDDD. The application of the CSRD, for which the deadline for national transposition has already passed in July 2024, has been delayed by two years for some companies. The application of the CSDDD, along with its transposition deadline, initially set for July 2025, has been delayed by one year.

Figure 1  
Timelines under Omnibus



Source: Author's own depiction.

The CSRD entered into force on 5 January 2023, with a transposition deadline of 6 July 2024 (see Figure 1). While most member states missed this deadline, 19 out of the 27 member states have now transposed it (European Union, n.d.). The German transposition is still outstanding. The CSRD and the national transposition originally included phased reporting deadlines:

- Large public-interest entities with more than 500 employees: Report due in 2025 on financial years starting on or after 1 January 2024;
- Other large undertakings: Report due in 2026 on financial years starting on or after 1 January 2025;
- Listed SMEs and other remaining in-scope companies: Report due in 2027 on financial years starting on or after 1 January 2026.

The stop-the-clock mechanism maintains the first of the above deadlines but delays the second and third groups by two years:

- Other large undertakings: Report due in 2028 on financial years starting on or after 1 January 2027;
- SMEs: Report due in 2029 on financial years starting on or after 1 January 2028.

The CSDDD entered into force on 25 July 2024. Unlike for the CSRD, the deadline for transposition into national law has not yet passed. Originally, the CSDDD was to be transposed into national law by 26 July 2025. The application to companies should commence on 26 July 2027. The stop-the-clock mechanism pushes the transposition deadline back by one year, to 26 July 2026. It also delays application by a year, which now commences 26 July 2028.

### The disruptive timing of the Omnibus package

In terms of timing, the Omnibus package arrived either at least two and a half years too late or five years too early. The instruments it amends were only introduced during the previous European Commission presidency, and most are still in the implementation phase. All instruments are either already in force or were about to enter into force, meaning companies had already started to prepare, investing financial and human resources.

Because of this timing, the Omnibus package introduces significant legal uncertainty. Looking at the CSRD, the deadline for national transposition expired in July 2024, and many member states have already incorporated the relevant provisions into domestic law. Some companies have already started reporting under the CSRD. Although this “first” group is exempt from the two-year delay of reporting obligations under the CSRD, they will be affected by the changes to the CSRD’s substance. And unlike the stop-the-clock mechanism, there is still uncertainty as to when the remaining changes will become law. Should the Omnibus package be adopted, it would, in part retroactively, modify the scope, timing and substance of reporting obligations – affecting both past and ongoing reporting periods and leaving companies facing imminent changes without a clearly defined schedule.

The uncertainty adds to the administrative burden on companies. Those already subject to the reporting requirements may need to revise or abandon newly established reporting systems. Others face uncertainty as to which obligations they will be subject to as this hinges on – in addition to the stop-the-clock mechanism – ongoing legislative negotiations over the Omnibus package in parliament and the Council.

## Conclusions

The adopted (stop-the-clock mechanism) and planned changes under the Omnibus package centre around sustainability reporting and supply chain due diligence. Of the projected administrative relief of €6.3 billion, a lion's share of €4.9 billion comes from narrowing the scope of application for sustainability reporting. Further changes include delaying transposition and application deadlines and softening enforcement for both supply chain due diligence and sustainability reporting. Regarding sustainability reporting, the ESRS will be streamlined, with no additional sector-specific standards to follow. However, this reduction does not necessarily impact how much data will need to be reported, as companies were ever only required to report material data points. Regarding supply chain due diligence, the most substantive change is the restriction of obligations to Tier 1 suppliers and the removal of civil liability – leaving member states' diverse national laws to fill this gap.

The Omnibus package, rather than delivering the promised simplification, constitutes a mere reduction of the amended Green Deal instruments. While this may come as a relief to companies now exempted from the scope of application or benefiting from delayed deadlines, it does not necessarily translate into a meaningful reduction of their administrative burden – particularly because the changes are arriving at a point when many companies were already preparing to meet the original requirements. In effect, the European Commission has stopped the clock long after the moment for deregulation had passed.

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