

More on the Omnibus Package and the Future of European Global Leadership on Sustainability

Sabrina Bruno Mario Manna

EU Omnibus Package: The 'Stop-the-clock' Directive

The EU Omnibus Package on sustainability aims to 'reduce compliance burdens' associated with sustainable finance ([EU Taxonomy](#) ; [Carbon Border Adjustment Mechanism \(CBAM\)](#)), sustainability reporting ([Corporate Sustainability Reporting Directive \(CSRD\)](#)) and due diligence obligations ([Corporate Sustainability Due Diligence Directive \(CSDDD\)](#)). The initiative was driven by high-level political commitments, such as the [Budapest Declaration on the New European Competitiveness Deal](#), and reports, including [Mario Draghi's assessment](#) on European competitiveness, which emphasised the need to streamline regulatory frameworks to foster economic resilience. Given the evolving geopolitical landscape—including energy price volatility and global trade tensions—the Omnibus Package apparently aims to refine reporting requirements, adjust compliance timelines, and reduce the trickle-down effect of obligations on smaller enterprises. The presumed goal is to maintain the core objectives of sustainability policies while enhancing the efficiency and proportionality of regulatory obligations.

On 27 March 2025, the Council formally adopted its position on the Commission's '[Stop-the-clock](#)' directive—one of the cornerstones of the broader Omnibus Package—postponing the implementation deadlines for both the CSRD and the CSDDD. This move aimed to grant Member States and companies additional time to adapt to the evolving regulatory landscape, aligning with broader efforts to ease compliance burdens. The European Parliament subsequently endorsed the proposal on 3 April through an urgent legislative procedure, approving it by a large majority of 531 votes in favour, 69 against, and 17 abstentions.

The Stop-the-clock mechanism introduces a two-year deferral for CSRD obligations applicable to large undertakings not yet in scope and to listed SMEs—pushing their reporting requirements from 2027 to 2029. For the CSDDD, the transposition deadline will shift from July 2026 to July 2027, with the first compliance obligations now scheduled for 2028 instead of 2027. These transitional arrangements are designed to avoid—what some consider to be—premature implementation and unnecessary administrative costs, especially in view of the fact that some potential adjustments to obligations are still under discussion as part of the wider Omnibus framework. With Parliament's endorsement complete, the proposal now awaits the Council's final formal approval to enter into force.

Key Amendments to EU Taxonomy and CBAM

The Omnibus Package also proposes a series of targeted modifications to the EU Taxonomy Regulation, with the aim of simplifying its application and pushing for a laxer and more gradual uptake. First, the scope of mandatory taxonomy reporting would be narrowed, limiting obligations to companies with more than 1,000 employees and a turnover exceeding EUR 450 million, while other companies subject to the revised CSRD would be allowed to report on a voluntary basis. A further innovation concerns the introduction of a framework for disclosing 'partially aligned' economic activities, intended to incentivise progressive alignment without penalising transitional business models. The proposal also introduces a financial materiality threshold, ensuring that taxonomy disclosures are limited to activities that are economically significant. Additional simplification measures include a reduction in the number of mandatory reporting templates, as well as a corresponding decrease in the volume of data points required. Moreover, the 'do no significant harm' (DNSH) criteria would be streamlined, beginning with those related to pollution prevention and control, with a broader, simplified process envisaged. Finally, for financial institutions, the methodology for calculating key ratios—such as the Green Asset Ratio (GAR)—would be revised to reduce complexity.

The Commission has also proposed targeted amendments to the Carbon Border Adjustment Mechanism (CBAM) aimed at both simplification and enhanced effectiveness. A key measure is the introduction of a de minimis threshold of 50 tonnes, exempting small CBAM importers—primarily SMEs and individuals—who introduce negligible quantities of embedded emissions into the EU. While this would exclude approximately 90% of importers from the scope, it would still cover 99% of emissions, ensuring environmental integrity. For entities remaining under CBAM, the proposal seeks to ease compliance through simplified procedures

for declarant authorisation, emissions calculation, and financial liability management. These simplification measures would be accompanied by reinforced enforcement provisions, including stricter anti-abuse mechanisms and a coordinated anti-circumvention strategy to be implemented in cooperation with national authorities.

The Role of 'Corporate Lobbying' in Shaping the Omnibus Proposal

The Omnibus Package was heavily influenced by 'lobbying efforts' from large multinational corporations and business associations. These entities sought to mitigate compliance costs and reduce administrative burdens, arguing that the existing sustainability reporting and due diligence frameworks were excessively complex, costly, and burdensome—particularly for companies with extensive global operations.

Throughout the European Commission's consultations, business interest groups played a dominant role, outnumbering other stakeholders such as civil society organisations and governmental bodies. In the [Call for Evidence on the Rationalisation of Reporting Requirements](#), conducted between October and December 2023, business associations and large corporations represented over 60% of the 193 stakeholders who provided feedback. These groups persistently advocated for a reduction in the scope of the CSRD, delays in implementation, and lighter reporting obligations for SMEs to prevent trickle-down effects on supply chains.

Similarly, the [European Commission's Reality Check on Sustainability Reporting](#) and other roundtables held in early 2025, industry representatives pushed for a pause or significant simplification of reporting obligations. This pressure resulted in key concessions, including the abovementioned postponements of reporting deadlines, a drastic narrowing of the CSRD's scope, and the removal of mandatory sector-specific reporting standards.

Lobbying efforts were particularly effective in weakening the due diligence obligations of the CSDDD. Business associations argued that extensive obligations for indirect business partners would impose disproportionate costs and create legal uncertainties. As a result, the Omnibus Package proposes limited due diligence obligations, primarily upon direct business partners, unless clear evidence indicates risks further down the supply chain.

Additionally, companies successfully lobbied to remove the obligation to terminate business relationships with non-compliant suppliers. Instead, the Omnibus Package proposes that companies be allowed to apply mitigation measures, significantly reducing the regulatory pressure on multinational supply chains. Stakeholder engagement requirements were also reduced, ensuring that companies only need to consult relevant stakeholders at select stages of due diligence, rather than engaging broadly with affected communities. Despite civil society organisations warning that these rollbacks could undermine corporate accountability, the European Commission prioritised 'regulatory simplification' to address competitiveness concerns.

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The Impact on the EU's Sustainability and Climate Neutrality Goals

Despite the amendments proposed by the Omnibus Package, the European Commission confirmed all the sustainability and climate neutrality objectives, particularly those enshrined in the [European Green Deal](#) and the EU Climate Law, which would set the path for achieving net-zero emissions by 2050. To ensure this, the Omnibus Package was enacted together with the Clean Industrial Deal announcing investments of 100 billion Euros.

However, the drastic reduction in the reporting scope of the CSRD would, as it is proposed now, remove sustainability reporting obligations for 80% of the originally covered companies, particularly smaller listed SMEs and mid-sized enterprises. This exemption would create major information gaps, as key actors in the European economy would no longer be required to disclose their climate transition plans, emissions data, or sustainability risks.

The two-year delay in reporting obligations might slow the momentum of corporate climate action. Many companies would only be required to disclose sustainability information from 2027 or 2028, leaving a critical gap in corporate climate accountability at a time when urgent emissions reductions are needed to meet the EU's 2030 climate targets.

Moreover, the elimination of sector-specific sustainability reporting standards might weaken the EU's ability to track and regulate high-emission industries such as energy, transport, and heavy manufacturing. Without tailored requirements, key polluting sectors would likely provide only generic, low-impact disclosures, making it harder for investors, regulators, and the public to assess corporate contributions to climate neutrality.

The CSDDD initially aimed to hold companies accountable for their environmental and human rights impacts across global supply chains. However, the Omnibus Package would fundamentally weaken its effectiveness by narrowing the due diligence scope to direct suppliers only, despite growing evidence that the most severe environmental and social violations occur further down supply chains.

The shift to less frequent assessments, extending the due diligence review cycle from one year to five years, would dilute corporate oversight and would increase the risk that companies fail to identify and mitigate sustainability risks in a timely manner. This would likely lead to continued deforestation, resource depletion, and emissions-intensive practices, particularly in industries such as agriculture, mining, and textiles, which have extensive indirect supply chains.

Additionally, the softening of financial penalties would significantly reduce the incentive for businesses to comply with sustainability obligations. As for the removal of ad hoc civil liability provisions, however, it should be recalled that liability regimes in the domestic legislation of Member States will continue to apply (and looking at previous European Company Law Directives, the approach has always been to allocate to Member States the authority on this issue).

A Step Backward for EU Climate and Sustainability Leadership?

The European Green Deal was built on the principles that strong corporate governance and disclosure are essential to achieving climate neutrality, and the most recent Directives, since the [Non-financial Reporting Directive \(NFRD\)](#), have been aimed at ensuring the EU's global leadership on corporate sustainability.

Therefore, the European Union should not prioritise regulatory relief over sustainability commitments, at a time when scientific evidence urges immediate emissions reductions and sustainability policies are threatened and endangered by US politics.

Authors:

[Sabrina Bruno](#) is a Full Professor of Business and Company Law at the University of Calabria and at Luiss G. Carli University, Rome. Professor Bruno holds a Juris Doctor (Luiss G. Carli), M.Litt. (Oxford University), and PhD. (University of Florence). She has been a Fulbright Visiting Scholar at Harvard Law School (2010), and a Visiting Scholar at Stanford Law School (2019). She is the author of three monographs and several articles and chapters on corporate governance, sustainability, and climate change, including directors' duties and liabilities under European, Italian, UK and US jurisdictions. She is co-founder and member of the governing board of the Climate Governance Initiative and Chapter Zero Italy.

[Mario Manna](#), Ph.D. in Law and Business, is a Postdoctoral Researcher at the Department of Law, Luiss Guido Carli University. He is Adjunct Professor of Comparative Private Law for the academic year 2024/2025 at the University of Calabria and holds a supplementary teaching contract in Comparative Private Law at Luiss Guido Carli for the academic year 2024/2025. He serves as Honorary Fellow in Comparative Corporate Governance at the European University of Rome. He has authored several scientific publications, mainly in the field of comparative commercial law. He is a qualified lawyer admitted to the Italian Bar.

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