# Europe risks climate leadership rollback amid EU regulatory backsliding



Europe stands at a critical juncture in its commitment to environmental sustainability, where current pressures could lead to a regression rather than progression in climate action. The European Union has historically positioned itself as a leader in environmental policy, yet recent proposals signal a potentially dangerous retreat from this vital stance. The European Commission's suggested Omnibus Simplification Package, which includes significant rollbacks of the Corporate Sustainability Reporting Directive (CSRD), threatens to undermine years of progress and compromise the foundation of transparency that investors and consumers rely upon.

The CSRD was put into place to ensure that large and publicly listed companies adhere to strict reporting guidelines concerning their environmental, social, and governance practices. The rationale behind these standards is clear: transparency fosters accountability and enables investors to make informed decisions based on reliable environmental risk data. However, under the proposed Omnibus changes, analysis by CDP indicates that only around 54% of companies currently meeting the original reporting requirements would continue to do so — a radical decrease that would exempt many firms demonstrating significant sustainability efforts from future obligations.

This move has sparked serious concerns about the long-term economic resilience of the Eurozone. As the German financial regulator noted, rolling back such regulations inevitably threatens financial stability, particularly when investors depend on such data to gauge potential risks. In an environment where climate-related business opportunities are identified at a staggering €3.47 trillion, against a cost of merely €620 billion to realise them, it becomes evident that sustainability not only aligns with ethical considerations but serves as a robust economic strategy.

Concurrently, internal EU dynamics further complicate the landscape. A recent vote to increase the renewable energy target to 42.5% by 2030 reflects a shifting focus towards reducing dependency on fossil fuels and enhancing energy independence, especially in light of geopolitical tensions stemming from the war in Ukraine. While this move suggests an embracing of renewable energy avenues, debates over the role of nuclear energy continue to highlight fissures within EU policy, as some member states advocate for nuclear power as a viable partner in the green transition while others staunchly oppose it.

The pushback against sustainability regulations extends beyond the internal dialogues of the EU. Although European finance sectors remain tenacious in their commitment to environmental, social, and corporate governance (ESG) investment, contrasting political climates in places like the U.S. have prompted concerns about a global retreat from stringent environmental rules. The persistent demand from European investors for sustainability-driven frameworks remains strong, stressing the need for cohesive regulations that can guide businesses and investors through an increasingly complex financial landscape.

Further aggravating this situation is the need for consistency in environmental regulations, emphasised by companies facing soaring compliance costs due to the EU's extensive regulations implemented since the European Green Deal's inception. This aspect of compliance has provoked fears that businesses might exit the EU market altogether if they find the regulatory environment too burdensome. Yet, advocates for robust environmental policies argue that without these regulations, firms would lack direction and accountability, which are essential in addressing today's pressing climate challenges.

Moreover, recent insights from the European Central Bank underscore the financial risks associated with ignoring climate change and biodiversity loss. Institutions must embed climate-related strategies into their operations to avoid widespread economic disruptions caused by environmental degradation. The bank's recent assessments underline the interconnectedness of ecological health and economic stability, pressing for tangible actions rather than reactive measures.

In these tumultuous times, the EU has an opportunity to redefine its leadership role on the global stage. By standing firm against pressures for regulatory rollbacks and championing sustainability, Europe can demonstrate that commitment to ecological integrity is not merely a favourable choice but a fundamental driver of long-term economic prosperity. As it navigates the aftermath of recent challenges, including the rise of climate scepticism and the fallout from geopolitical events, Europe must hold the line on environmental standards, showcasing its resilience in the face of adversity.

The world watches closely—and as history has shown, the choices made now will shape the economic and environmental landscape for generations to come. To foster a truly sustainable future, the time for decisive action is undoubtedly now.

### Reference Map

* Paragraph 1: [[1]](https://www.esgtoday.com/guest-post-the-eu-must-not-roll-back-its-green-regulations/)
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* Paragraph 4: [[2]](https://www.reuters.com/sustainability/climate-energy/eu-riles-nuclear-industry-with-delay-low-carbon-hydrogen-rules-2025-05-13/)
* Paragraph 5: [[3]](https://apnews.com/article/6d1a3183a8e84c111146e9db703a13f7)
* Paragraph 6: [[4]](https://www.reuters.com/sustainability/sustainable-finance-reporting/europe-stands-firm-against-us-driven-esg-backlash-2024-04-12/)
* Paragraph 7: [[5]](https://www.ft.com/content/276028dc-a492-44ec-9eee-58d9fb51c159)
* Paragraph 8: [[6]](https://time.com/7172411/frank-elderson/)
* Paragraph 9: [[7]](https://www.ft.com/content/a74a5a0a-6759-481f-965a-59e6cb3ef6f8)

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## Bibliography

1. <https://www.esgtoday.com/guest-post-the-eu-must-not-roll-back-its-green-regulations/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/climate-energy/eu-riles-nuclear-industry-with-delay-low-carbon-hydrogen-rules-2025-05-13/> - The European Union faces criticism from the nuclear industry over its draft plans to delay until 2028 the classification of hydrogen produced from nuclear energy as 'low-carbon.' This delay could disadvantage nuclear-generated hydrogen compared to renewable sources, highlighting political divisions within the EU regarding nuclear energy's role in the clean energy transition. Countries like France, Poland, and Sweden support greater inclusion of nuclear power, while Germany and Denmark oppose it, emphasizing wind and solar energy. The debate reflects broader EU political divisions over the role of nuclear energy in the clean energy transition.
3. <https://apnews.com/article/6d1a3183a8e84c111146e9db703a13f7> - EU lawmakers have voted to increase the renewable energy target to 42.5% of total consumption by 2030, with an aim to reach 45%. This decision, endorsed by a significant majority, marks a step towards reducing reliance on fossil fuels and achieving energy independence, particularly from Russian oil and gas. The directive stipulates faster permitting processes for new renewable installations and sets additional goals for the transportation sector to cut greenhouse gas emissions by 14.5% by 2030. Following a compromise, countries may use nuclear technology for hydrogen production. The bill awaits formal approval by member countries.
4. <https://www.reuters.com/sustainability/sustainable-finance-reporting/europe-stands-firm-against-us-driven-esg-backlash-2024-04-12/> - Europe's finance industry remains steadfast in its commitment to environmental, social, and corporate governance (ESG) investments despite political pressures that have caused some U.S. counterparts to retreat from their green agendas. In contrast to the U.S., where conservative politicians have successfully diluted ESG regulations, Europe benefits from supportive regulations and strong consumer interest. European investors hold seven times more sustainable fund assets than U.S. investors after five consecutive quarters of U.S. outflows. Europe's robust ESG framework includes the EU's Taxonomy, Sustainable Finance Disclosure Regulation, and Corporate Sustainability Reporting Directive. Broad political and public support in Europe for climate action, compared to the U.S., has helped maintain the region's ESG momentum. Despite some pushback leading to diluted regulations, European investor demand remains substantial. Initiatives such as the Glasgow Financial Alliance for Net Zero rely heavily on European membership for their survival, highlighting Europe's crucial role in global ESG efforts.
5. <https://www.ft.com/content/276028dc-a492-44ec-9eee-58d9fb51c159> - The European Green Deal, aimed at achieving climate neutrality by 2050, has introduced extensive regulations that have increased compliance costs for companies. Since its inception in 2019, the deal has led to numerous laws requiring businesses to audit supply chains, ensure no deforestation, and enable product reparability. Companies face high compliance costs, and some opt to abandon suppliers or consider exiting the EU. The Corporate Sustainability Due Diligence Directive and the Corporate Sustainability Reporting Directive impose significant financial burdens, with companies investing heavily in digitalising and automating data compliance. The Carbon Border Adjustment Mechanism further adds to these costs. Critics argue these regulations impact investment flows and create a non-level playing field globally. However, NGOs and some companies endorse the changes, highlighting the necessity for more responsible business conduct amid climate and biodiversity crises. The frequent changes in regulations create market uncertainty, with companies like BDR Thermea advocating for consistent and predictable policies to support sustainable practices.
6. <https://time.com/7172411/frank-elderson/> - Frank Elderson, in his 2023 report from the European Central Bank, highlighted the significant financial risks that EU companies and banks face if natural ecosystems collapse due to climate change and biodiversity loss. This report supported the implementation of Europe's Nature Restoration Law in August. Elderson emphasizes the need for companies, banks, and policymakers to manage climate and nature-related risks through credible transition planning to ensure an orderly path to climate neutrality. He advocates for rigorous transition plans with clear milestones to reduce future risks and costs. Elderson commits to further integrating climate-related risks into the strategies of banks supervised by the ECB, enforcing compliance where necessary. He stresses that the economy critically depends on nature, and its degradation would severely impact businesses and banks, urging international bodies to incorporate climate and nature considerations into regulations and supervision.
7. <https://www.ft.com/content/a74a5a0a-6759-481f-965a-59e6cb3ef6f8> - The European Union (EU) is determined to maintain its leadership in climate action at the upcoming COP29 summit but faces significant challenges. The EU aims to uphold agreements to transition away from fossil fuels and has set targets to achieve net-zero emissions by 2050, but recent political and environmental setbacks, such as opposition from industry and non-EU countries, have caused delays. The election of Donald Trump in the US, a known climate skeptic, further complicates the EU’s efforts. The EU also needs to balance its policy demands globally, as seen by resistance to its carbon border tax from countries such as India and China. Despite contributing significantly to climate finance, the EU must do more, especially as it negotiates a new annual climate finance target to support developing nations. Internal divisions and geopolitical tensions add to the difficulties. EU leaders acknowledge the urgency but must navigate complex political landscapes to achieve their climate objectives.