# European Commission under pressure as EU sustainability reporting reforms spark regulatory backlash



The European Commission's current efforts to streamline corporate sustainability reporting obligations face significant criticism, as concerns mount that essential environmental standards may be sacrificed for expediency. An advocacy group has warned that the Commission risks undermining the core goals of sustainability in its attempt to lighten the regulatory load on businesses, particularly smaller enterprises struggling to navigate the existing complexities. This critique is underscored by a broader discussion on regulatory approaches within the EU, where the balance between competitiveness and environmental responsibility is becoming increasingly fraught.

The scrutiny of the Commission's proposals includes the initiation of an inquiry by the European Ombudsman, Teresa Anjinho. This investigation was prompted by a coalition of civil society organisations, who allege that the Commission has bypassed its own protocols by neglecting to conduct a public consultation or a thorough impact assessment prior to proposing amendments to EU sustainability laws. These adjustments are part of the so-called 'simplification omnibus' initiative, which seeks to ease compliance burdens on both small businesses and larger corporations by relaxing supply chain checks. Critics argue that such measures compromise EU standards and lend undue influence to industry lobbyists who may not represent broader societal interests.

Recent declarations from key EU member states such as France and Germany have further complicated the discourse surrounding sustainability regulations. Both nations have reversed their previous support for the EU's stringent supply chain law, which was originally intended to combat forced labour and ensure enterprises responsibly address environmental impacts. French President Emmanuel Macron and German Chancellor Friedrich Merz now advocate for the law’s complete repeal, labelling it an obstacle to economic competitiveness in light of global pressures from countries like China and the United States. This shift signifies a growing ideological division within the EU regarding its climate agenda, with many voices calling for a reconsideration of regulatory frameworks deemed overly burdensome, particularly for smaller enterprises.

Furthermore, criticism of the Corporate Sustainability Reporting Directive (CSRD) has emerged from influential industry leaders, including Christian Bruch, CEO of Siemens Energy. He has characterised the CSRD as excessively complex, arguing that the requirements—over 1,000 data points concerning environmental and social impacts—greatly exceed the benefits they offer. His sentiments reflect a broader discontent among European businesses, who contend that regulatory intricacies hinder not only competitiveness but also the agility necessary for innovation. While the European Commission has signalled plans to review numerous environmental regulations, the response from industry has been tepid, with businesses calling for greater clarity and less red tape as they navigate an evolving market landscape.

Despite these regulatory challenges, many firms appear committed to sustainability on a long-term basis. Recent research indicates that, despite political disruptions, the corporate sector recognises sustainability as vital for future profitability and resilience. Factors such as evolving consumer preferences, investor pressures, and escalating climate-related risks are compelling businesses to enhance their environmental, social, and governance (ESG) strategies rather than retreating from them. Companies often find that sustainable practices yield financial benefits, including cost reductions and heightened market appeal, evidencing a growing recognition of sustainability as more than just regulatory compliance.

As the EU deliberates on the future of its sustainability mandates, the tension between regulatory simplification and the fundamental principles of accountability and environmental stewardship remains a critical challenge. The forthcoming months will likely reveal whether the Commission can square these competing interests while maintaining its commitment to a sustainable future—an endeavour complicated by member state politics and the mounting pressures of global competition. In navigating this complex landscape, the Commission must balance the urgent need for economic recovery with the imperatives of environmental protection, ultimately shaping the EU's role as a leader in global sustainability efforts.

## Reference Map:

* Paragraph 1 – [[1]](https://carbon-pulse.com/401172/), [[2]](https://www.reuters.com/sustainability/climate-energy/eu-watchdog-launches-inquiry-into-commissions-easing-green-rules-2025-05-23/)
* Paragraph 2 – [[2]](https://www.reuters.com/sustainability/climate-energy/eu-watchdog-launches-inquiry-into-commissions-easing-green-rules-2025-05-23/), [[3]](https://www.ft.com/content/28f18d87-199c-4c63-a1c0-f8a8359a48cc)
* Paragraph 3 – [[3]](https://www.ft.com/content/28f18d87-199c-4c63-a1c0-f8a8359a48cc), [[5]](https://www.ft.com/content/98241f9c-7b98-4267-b073-2a2c57a3a548)
* Paragraph 4 – [[4]](https://www.reuters.com/sustainability/sustainable-finance-reporting/why-business-wont-abandon-sustainability-long-term-play-2025-05-19/), [[5]](https://www.ft.com/content/98241f9c-7b98-4267-b073-2a2c57a3a548)
* Paragraph 5 – [[4]](https://www.reuters.com/sustainability/sustainable-finance-reporting/why-business-wont-abandon-sustainability-long-term-play-2025-05-19/)

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## Bibliography

1. <https://carbon-pulse.com/401172/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/climate-energy/eu-watchdog-launches-inquiry-into-commissions-easing-green-rules-2025-05-23/> - The European Ombudsman, Teresa Anjinho, has initiated an inquiry into the European Commission's recent proposal to relax EU sustainability laws through its 'simplification omnibus' initiative. This move aims to reduce reporting obligations for smaller businesses and ease supply chain checks for larger corporations. The investigation was prompted by a complaint from eight civil society organizations, alleging that the Commission bypassed its own regulatory standards by failing to conduct a public consultation or an impact assessment. The complainants also accuse the Commission of holding closed-door meetings with industry lobbyists before announcing the changes. Ombudswoman Anjinho has formally requested explanations from the Commission on the lack of public consultation and the selection of stakeholders involved in the discussions. The Commission’s proposal followed industry concerns about Europe’s stringent regulations, arguing they hinder competitiveness against countries like China and the U.S., where regulatory rollbacks are ongoing. No comment was immediately provided by the Commission. The European Ombudsman, an independent body founded in 1995, investigates maladministration in EU institutions, either on its own initiative or in response to public complaints.
3. <https://www.ft.com/content/28f18d87-199c-4c63-a1c0-f8a8359a48cc> - France and Germany have reversed their stance on the European Union's supply chain law, calling for its complete repeal. Originally a key pillar of the EU's climate and human rights agenda, the law requires companies to address forced labor and environmental impacts in their global operations. French President Emmanuel Macron and Germany's new Chancellor Friedrich Merz argue the regulation imposes excessive burdens on businesses, especially as the EU faces stiff competition from China and aggressive U.S. trade policies. Macron, who once led efforts to implement a national supply chain law, joined Merz in rejecting a proposed one-year postponement, pushing instead for full abandonment. The law's extensive compliance requirements, including tracking numerous metrics, have been criticized as unaffordable and impractical, especially for smaller firms and operations in developing countries. Despite some pushback from leftwing politicians and NGOs defending the law as essential to sustainability, the debate highlights growing ideological rifts over the EU's green agenda. European Commission President Ursula von der Leyen has also agreed to delay and simplify major parts of the Green Deal under pressure from member states and industry.
4. <https://www.reuters.com/sustainability/sustainable-finance-reporting/why-business-wont-abandon-sustainability-long-term-play-2025-05-19/> - Despite recent setbacks in diversity, equity, and inclusion (DEI) programs and political shifts like the U.S. withdrawal from the Paris Agreement under President Donald, the business world remains committed to sustainability. According to a Reuters Events white paper, 'Playing the Long Game: Why Business Won’t Abandon Sustainability,' companies recognize sustainability as essential for long-term profitability, resilience, and societal relevance. Experts highlight that sustainability and DEI are distinct, and despite public rhetoric, most companies are maintaining or expanding their environmental, social, and governance (ESG) efforts. Drivers include growing climate risks, consumer expectations, global regulatory pressures (like the EU’s CSRD coming in 2025), and energy challenges. The agricultural sector, for example, is influenced by international forces beyond the U.S. administration. Consumers are increasingly using their purchasing power to support sustainability, influencing corporate behavior. Companies also see financial opportunities in sustainable practices, such as energy efficiency and reduced packaging costs. Pressure from investors, customers, and employees further reinforces the strategic value of sustainability in a changing global landscape.
5. <https://www.ft.com/content/98241f9c-7b98-4267-b073-2a2c57a3a548> - Christian Bruch, CEO of Siemens Energy, has criticized the EU's complex environmental regulations, stating they are disproportionate to their benefits and hinder European competitiveness. He specifically targeted the Corporate Sustainability Reporting Directive (CSRD) introduced in 2023, which requires companies to report over 1,000 data points on their environmental and social impact. Bruch emphasized the need for simpler and more streamlined regulations. His comments align with growing discontent among European businesses and member states, intensified by Donald Trump’s deregulation stance in the US. Major European business lobby groups and companies, including TotalEnergies, have similarly criticized the CSRD. In response, the European Commission plans to review several environmental legislations, including CSRD, aiming to reduce red tape while maintaining policy goals. Environmental advocates caution against deregulation, arguing that comprehensive regulations ensure predictability and support a low-carbon economy. Despite these regulatory challenges, Siemens Energy has reported significant revenue growth and a record order backlog, driven by the demand for power generation technology for AI data centers.
6. <https://www.reuters.com/world/europe/forms-inspections-reports-german-businesses-beg-bureaucracy-relief-2025-03-10/> - German businesses are calling on the new government to drastically reduce bureaucratic red tape that is hampering industrial growth in the country. Executives in various industries indicate that excessive regulations and complex paperwork hinder investments needed for modernization and innovation. Specifically, fire regulations and frequent inspections are cited as costly and resource-draining. While the European Commission has proposed easing some reporting rules and reducing administrative costs, German companies remain skeptical. The CDU party, aiming to form a coalition government, prioritizes cutting red tape, but business leaders are wary of new requirements replacing old ones. Germany's bureaucracy has grown compared to improvements in other OECD countries. Executives argue for simpler regulations to thrive in an increasingly competitive global market, emphasizing a balance between necessary oversight and operational freedom.
7. <https://www.ft.com/content/12399810-a782-465b-8378-5099252306a5> - The European Investment Bank (EIB) is concerned about a significant reputational risk due to the new EU sustainable reporting rules. The revised regulations require the bank to declare a Green Asset Ratio (GAR), which is significantly lower than its self-reported Climate Action ratio. The EIB has positioned itself as a leading climate-friendly financial institution, phasing out fossil fuel investments since 2021. However, the new GAR, based on EU-defined metrics, may show only 1% of its assets as green compared to the current 50% under the EIB’s metrics. Internal communications reveal EIB's intention to seek a delay in compliance and to negotiate changes with the European Commission. The complexity and burden of the EU’s sustainable finance rules, especially for SMEs, also raise concerns among EU governments and industry bodies. The EIB faces criticism from campaign groups and former employees for lacking transparency and proper due diligence in its operations. The EIB's efforts to recalibrate green reporting rules are ongoing, with significant engagement with the European Commission aimed at mitigating the reporting challenges.