

## The 2025 sustainability regulation outlook: What you need to know

The regulatory landscape around sustainability continues to evolve, creating significant complexity across industries. We explore the shift in the EU's sustainability policy agenda and its impact on business models, strategies and financial planning in 2025.

Current regulation is being set against the backdrop of a markedly different political and market context compared even with only a year ago. Economic uncertainty, intensified competition and a more complex geopolitical climate loom large. Throughout 2024, business leaders, policymakers and industry groups were calling on the EU to tackle these changes. In February this year, the European Commission published its competitiveness compass, a road map that will steer the EU and its policymaking over the next five years.

While the compass indicates that sustainability is still important, the European Commission believes it must be balanced with managing risks to economic growth, supply chain resilience and EU competitiveness. From a sustainability perspective, the European Commission has put forward three key themes at its core – implementing a new industrial strategy, reducing the regulatory burden and mobilising finance. While these changes will not happen overnight, businesses should start looking ahead.

The three key themes of the European Commission's competitiveness compass:

- 1.** Implementing a new industrial strategy that will accelerate the EU's decarbonisation efforts and streamline clean energy projects.
- 2.** Reducing the regulatory burden – one of the first acts will be a proposal from the Commission on the Omnibus Simplification Package,

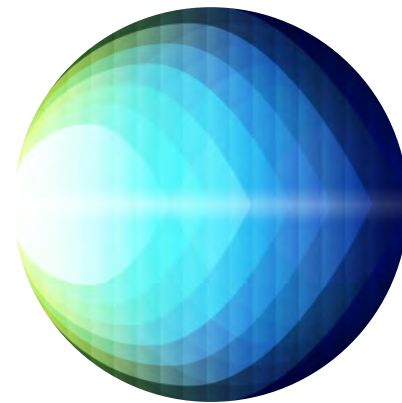
which aims to simplify and reduce sustainability reporting requirements, due diligence and the taxonomy.

- 3.** Mobilising finance and driving investment by leveraging public and private sector funding to boost competitiveness.



Our panels **explore** how companies are navigating uncertainty and **examine** the impact the evolving regulatory landscape is having on strategy and competitiveness.

“Reflect on what is most relevant to your business, especially the investments that you are planning. A lot of these policy changes will not happen tomorrow but will definitely influence your investment plans over the next few years.” **Simon Brennan**



In collaboration with Chapter Zero



Based on a webinar discussion on 10 February 2025

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Speaker: **Arjan de Draaijer**, Sustainability and Climate Leader for Strategy, Risk and Transactions Advisory, Deloitte North and South Europe

Speaker: **Concha Iglesias**, Lead Partner for Climate Change and Sustainability, Deloitte Spain

Speaker: **David Carlin**, Chapter Zero Fellow, Senior Associate at Cambridge Institute of Sustainability Leadership and Founder of D.A Carlin and Company

Speaker: **Amaury Chazeau-Guibert**, Secretariat-General Policy Coordinator, European Commission

Speaker: **Piril Kadibesegil Yasar**, Group Head of Sustainability, Allianz Trade

**DEEP DIVE:** 3 minute read

# In conversation with the Deloitte Academy panel

Our speakers discuss how the largest companies in Europe are navigating sustainability strategy and getting value from their investments.

## ■ How are climate change and economic uncertainty shaping business opportunities?

**Concha:** The global green economy grows by \$10 trillion annually, accounting for 10% of the world's GDP. Renewables are cheaper and more reliable than oil, gas and coal. At the same time, countries all over the world are experiencing extreme weather events exacerbated by human activity. Natural disasters have increased exponentially over the past 30 years and the cost of damage has risen from \$236 billion in the last decade to \$320 billion in 2024.

While Europe has a remarkable capacity to respond to crises, it faces challenges that threaten its economic growth and competitiveness, such as the productivity gap, innovation, high energy costs and strategic dependencies. It needs massive investment to modernise its economy, finance the green and digital transition and ensure security in an unstable geopolitical landscape. The Commission's competitiveness compass offers a framework and vision to ensure all EU policies contribute to sustainability, economic growth and competitiveness.

“Europe has a remarkable capacity to respond to crises, but it still faces challenges that threaten its economic growth and competitiveness.”

**Concha Iglesias**

## ■ What sustainability trends were discussed at Davos?

**Arjan:** In previous years, sustainability was much more centre stage, but this year there was, unsurprisingly, a lot of discussion around AI. However, connections between sustainability and AI were being made.

The main theme was the narrative surrounding sustainability. While companies will continue on their sustainability paths, the international political landscape has made it difficult to discuss the topic explicitly. There were discussions around framing sustainability differently – in the context of human health or resilience and future-proofing. I believe people are more comfortable with the latter. So, while sustainability competes for attention, it should reinforce the competitiveness agendas of European businesses.

## ■ How are businesses responding to these pressures and opportunities?

**Concha:** Market concerns stem from the legal uncertainty companies face regarding sustainability reporting requirements. Many businesses remain unsure about the complexity of applicable standards and the potential for delays in implementation. Despite this, the overall transition is progressing. Public interest entities are finalising their first reports. At the same time, businesses are closely monitoring regulatory developments and preparing to reassess whether their Corporate Sustainability Reporting Directive (CSRD) strategy remains valid as the scope and extent of proposed changes become clearer.

As the discussion unfolds, two key aspects are under scrutiny. The first is scope alignment and the second is time uncertainty. A stable and

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**Arjan de Draaijer**

predictable regulatory environment allows businesses to integrate sustainability into long-term planning, ensuring commitments translate into tangible action. But companies need to think beyond compliance and focus on activities that are truly material and connected with opportunities. The most common conversation is around resilience and making sustainability cheaper. Linked to that is how we connect the opportunities around this transformation to achieve strategic differentiation.

## ■ Can companies adopt a no-regret strategy?

**Arjan:** If you look at the regulations from a business perspective, it can be a great starting point for strategic action in a time of change, particularly for topics such as resource efficiency, value chain optimisation and product innovation. The no-regret actions for companies will be to understand material topics and the related impacts, risks and opportunities and use data to guide their strategy. Through this, companies can really move from compliance to unlocking opportunities. So, switching from a purely reporting transparency exercise to steering the business in a time of transition. Practicality is key, and engaging with a wide range of internal stakeholders ensures a strategic perspective is embedded from the start.

# Insights from our expert panel

Our speakers discuss the impact of the evolving regulatory landscape and global economic and political context on the strategy, competitiveness and transformation roadmaps of companies.

## ■ How will balancing sustainability and competitiveness evolve this year?

**Amaury:** The European Commission are setting the tone for the whole of the next mandate. What we communicate now will shape the orientation and policy over the next few years. The Green Deal remains a priority, and we are shifting to practical implementation. We have a lot to look forward to and work on in terms of the Clean Industrial Deal, the Decarbonisation Accelerator Act, nature and biodiversity credits, circular economy and water resilience. And it has to be done in a way that boosts competitiveness. The Competitiveness Compass will drive simplification and ensure effective, business-friendly policies. There will also be a focus on competitiveness in the next multi-annual financial framework, and we have already announced the creation of a competitiveness fund. But it will only work if there is open dialogue between industry and stakeholders.

## ■ Is the EU's policy strategy and sustainability mirrored in other jurisdictions?

**David:** The EU has moved so fast that it has become a guiding light for many jurisdictions, but there is divergence around priorities and financial market maturity. There is also a deliberate pushback in certain areas, most notably – but not exclusively – in the US. Other jurisdictions, such as

## Points to consider:

- EU regulators are reshaping the policy agenda to balance sustainability with competitiveness and economic growth.
- Companies are at varying stages of sustainability adoption and have had to address several sustainability aspects at once. Streamlining and simplifying reporting is welcome.
- There is a need to move beyond reporting to embed sustainability into core company strategy, but balancing simplification and meaningful action is challenging.

Canada, could go further. So, some practices are not being adopted, while in some places, they are being actively frozen or being turned back, which creates fragmentation.

## ■ What does the Omnibus Simplification Package mean for sustainability reporting?

**Amaury:** We are focusing a lot on this first Omnibus Simplification Package because it is the first concrete simplification deliverable. We are looking at a number of acts including the CSRD, Corporate Sustainability Due Diligence Directive (CSDDD) and the taxonomy. We are fine tuning what we put forward but it is not black and white. For example, we have to consider timing and how things trickle down. Many companies have begun implementing some of the measures, but we do not want to penalise the early movers. We need to find a balance between simplification to ensure lower costs and meeting our objectives. We want to be ambitious, but we are also considering trade-offs. As we try to get it right, I urge businesses to remember that it is only the first Omnibus. There will be others.

## ■ How can companies leverage decarbonisation opportunities?

**David:** Decarbonisation is a fundamental shift in operating models

in which businesses are going to be able to adapt and change those models. Having a clear environment around things like permitting, planning and costs is critical for any capital-intensive process, but especially decarbonisation. Europe needs to set out a direction of travel and build and invest in ways that are future-proof. Fortunately, there is real clarity that comes with decarbonisation – Europe will not produce more emissions in 2040 than in 2030.

## ■ What can the EU's industrial strategy bring to EMEA businesses?

**Piril:** While 74% of exporters claim they are on track for their net zero targets, their ambitions are lower than their potential. But the complexity of EU sustainability regulation is a challenge. Non-tariff barriers are another issue. Removing them could increase green trade volumes by \$184 billion, or over 10% annually, and boost green productivity. Many countries also believe that AI could help in transforming productivity. However, challenges remain in terms of international standards. There is also potential for supply chain disruptions from labour shortages. So, while innovation will be a boost, we need clarity on which way to go.

“The motivation for the Omnibus is recognising that other places do things differently.” **David Carlin**

“It is a balancing exercise and we are trying to get it right. That is why we have a process that goes beyond this first Omnibus.” **Amaury Chazeau-Guibert**

■ **What should C-suite leaders know about the EU's plans to drive green innovation and growth?**

**Amaury:** First, we know that managing uncertainty is important and we are factoring it into our decisions. But it is not something that only the Commission can manage, and there will be trade-offs. Looking at the Omnibus, there are a lot of puzzle pieces to fit together – we want something ambitious that maintains the Green Deal objectives, can be implemented quickly and is accurate. Competitiveness will also come through innovation, which will remain at the heart of the mandate for the next five years. We have announced the start-up and scale-up strategy and the European Innovation Act. Another key element will be financing. We will also have implementation dialogue with industry stakeholders to identify areas for improvement. Going forward, we want everybody around the table.

■ **How can scenario analysis and cost-sharing help companies de-risk investments?**

**David:** At a minimum, businesses should understand the changes that are coming and have a resiliency strategy for different scenarios. Businesses should consider the evolving policy environments, changing market preference shifts and the likelihood that renewables will fall by another 10% in cost this year in terms of electricity generation. Having an understanding of these changes and a plan for each one is a good way to be prepared while also considering supplier relationships and overall strategy.

Another important element is de-risking. It comes down to knowing where things are heading and what support exists and the role that policy plays. We are, in some ways, in the start-up phase in a business lifecycle. There will be learnings – previous activities may no longer be economically viable or aligned with climate goals, and new ones will have varying degrees of volatility. Businesses should focus on being well-prepared and well-informed by using data and technology like AI to make better predictions.

In some ways, we sometimes get our heads too tied up in this climate and sustainability discussion. At the end of the day, recognise that this is like any fundamental shift in the operating model, and it is helpful to view these as change management problems as much as climate or sustainability problems.

■ **What are the significant opportunities at the intersection of sustainability, trade and competitiveness?**

**Piril:** In total, 80% of exporters expect the government to help boost green trade. Removing non-tariff barriers is crucial – it would unlock a \$184 billion boost. Clearer international standards would complement this. For example, the EU taxonomy is not valid globally, and translating it is complex. Finally, financial institutions play a crucial role in the transition economy in certain sustainable development projects, so how do we unlock them to help transition across borders and go beyond day-to-day transactions?



**74%**

of exporters say they are on track to reach their net zero goals



**80%**

of exporters expect the government to help boost green trade



Removing non-tariff barriers would boost annual green trade by

**\$184 billion**

(Allianz Trade Global Trade Survey 2024)

“Innovation will be a boost, but we need clarity on which way to go.” **Piril Kadibesegil Yasar**

“We need to try to be the guiding light while making sure that it is not to the detriment of the competitiveness of our businesses.”

**Frederique Deau Blanchet**

# The Academy panel on...

## ...human rights and competitiveness:

**Amaury:** Human rights are integrated into the taxonomy through the minimum social safeguards, as well as in the CSRD through a number of reporting points. And of course, they are part of the due diligence requirements in the CSDDD. The objectives remain there – but how do we achieve what we set out to do? It should be less burdensome for companies to demonstrate and offer a trust-based approach that enables accountability.

“What happens here matters and is being watched closely internationally, if only because others know they will have to follow it.” **David Carlin**

“Sustainability is finding its place alongside issues that we need to tackle, like growth, competitiveness and security. I would say that is a position of strength, not weakness.”

**Arjan de Draaijer**

## ...double materiality assessments:

**David:** Double materiality assessments have a real role and value. I think the distance between impact materiality and financial materiality is narrowing over time. In a world that is transitioning, you cannot avoid these impacts. It is like a company polluting a river downstream; it will tie into everything from lawsuits to brand value. You can try to scope things out yourself, but what you will see is this will bend back around. Double materiality is good preparation. Of all the legislation, it is one of the most valuable for a firm that wants to understand where risks are placed and what the impacts are.

**Piril:** I view double materiality as crucial to seeing a comprehensive view of climate and its impact on our businesses. It is especially useful for companies that may be struggling to make the use case to the board.

## ...financial support for renewable investments:

**Piril:** Financial and insurance institutions have a role to play in de-risking renewable projects. However, we also need to partner with the EU and relevant organisations for the overall transition. It cannot just fall on one partner’s shoulder; we need a market response to ensure sufficient support at every angle.

## ...key takeaways:

**Arjan:** I have three reflections. Firstly, the question is how companies can navigate uncertainty while the Omnibus package is being negotiated. It does not make sense for them to stop what they are doing but, depending on the size, business model and state of readiness, it is important to think through low- or no-regret actions, ideally marrying compliance and strategic action whenever possible.

Secondly, I am optimistic. Sustainability is finding its place alongside issues that we need to tackle, like growth, competitiveness and security. I would say that is a position of strength, not weakness. The Commission’s policy agenda is going to be more focused and deliberate, but the potential impact of new interventions could be significant.

Thirdly, each actor needs to think about how they deliver their strategies in an age of transformation. Companies need to recognise the North Star in their strategy and how sustainability topics could impact it. They need to identify opportunities for competitive advantage, but also the risks they need to mitigate to become more resilient and future-proof.