



ESG Focus: UK/EU/International ESG Regulation Monthly Round-Up - April 2025

Hogan Lovells

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The drive to simplify and increase competitiveness in the European Union continues apace. Member States have started to implement the “stop-the-clock” directive, the Commission has signalled an intent to provide some limited relief for Wave One companies already complying with the Corporate Sustainability Reporting Directive (CSRD) (the “quick fix” delegated act) and academics and the European Central Bank have shared their views on the proposed changes to CSRD and the Corporate Sustainability Due Diligence Directive (CSDDD). The Council also shared its negotiated position on the omnibus simplification package for the carbon border adjustment mechanism (CBAM). At the first UK-EU Summit following Brexit, an EU-UK Strategic Partnership was established between the UK and the EU and they also agreed to explore a link between the UK and the EU Emission Trading Schemes.

1.1 CSRD: Omnibus Simplification Package

There have been a lot of omnibus-related developments this month. Following the “stop-the-clock” directive entering into force, we have seen a number of Member States starting the process of implementing it. The stop-the-clock” directive delays the application of the Corporate Sustainability Reporting Directive (CSRD) for companies in Waves Two and Three until 2028. The Commission has also signalled its intent to provide some limited relief for Wave One companies who are already required to comply with CSRD.

The French AFM has indicated in its annual report that it will adopt a “pragmatic and comprehensive” approach to supervision of the CSRD in 2025.

Read more in our omnibus update [here](#).

1.2 CBAM: European Council has adopted its negotiation position on the carbon border adjustment mechanism

On 27 May 2025, the European Council adopted its agreed negotiation position on the Omnibus simplification package for the carbon border adjustment mechanism (CBAM).

The main simplification is a broader “de minimis” exemption for importers from the CBAM obligations “by exempting importers, which do not exceed a single mass-based threshold set at a level of 50 tonnes of imported goods per importer per year”. This should exempt individuals and SMEs which import small or negligible quantities of goods covered by CBAM.

There are also simplifications for importers above the threshold in relation to the authorisation procedure, data collection processes, calculation of embedded emissions, emission verification rules, calculation of declarant’s financial liability and claims for third country carbon prices paid.

Following the adoption of the Council’s position, the presidency will begin negotiations with the European Parliament.

1.3 SFDR Update: European Commission launches Call for Evidence on simplification of the Sustainable Finance Disclosure Regulation

On 2 May 2025, the European Commission launched a Call for Evidence to inform its impact assessment for the simplification and improved effectiveness of the Sustainable Finance Disclosure Regulation (SFDR). This is the last of a number of consultations on the SFDR and is launched ahead of the Commission publishing its proposals to simplify and improve the effectiveness of the framework due in Q4 2025. Read more here.

1.4 CRR3: EBA launches a consultation on amended disclosure requirements for ESG risks

On 22 May 2025, the European Banking Authority (EBA) launched a consultation on proposed amendments to disclosure requirements for ESG risks, equity exposures and aggregate exposure to shadow banking entities.

The consultation amends the European Commission’s Implementing Regulation on Pillar 3 disclosures under the Capital Requirements Regulation III. In line with the Commission’s omnibus proposals to reduce administrative burdens and costs, the EBA has designed a proportionate approach for ESG disclosures based on the institution’s type, size and complexity, with simplified disclosures for banks (except large banks), particularly for small or non-listed. The EBA is also providing an updated mapping tool between Pillar 3 and supervisory reporting.

The consultation ends on 22 August 2025.

Chapter 2

2. Chapter 2: UK Developments

2.1 The UK Government launches Emerging Markets and Developing Economies (EMDE) Investor Taskforce

On 15 May 2025, the Emerging Markets and Developing Economies (EMDE) Investor Taskforce was launched by UK government ministers to explore recommendations from 'The UK as a Climate Finance Hub' report. The EMDE Investor Taskforce is an industry-led initiative which aims to unlock capital to address climate change risks and tackle the barriers preventing finance from flowing into emerging markets by bringing together leaders from across the UK investment community.

2.2 UK government publishes guidance on gender equality, disability and social inclusion for UK International Climate Finance (ICF) programming

On 16 May 2025, the UK government published guidance for International Climate Finance (ICF) programming on gender equality, disability and social inclusion. The guidance was jointly developed by Foreign, Commonwealth and Development Office, Department for Energy Security and Net Zero and Department for Environment Food and Rural Affairs.

The ICF helps the UK deliver on its commitments to support developing countries to respond to the challenges and opportunities of climate change. The new guidance outlines minimum standards and the ambitions on gender equality, disability and social inclusion and helps to provide a coherent approach for government departments' ICF programmes.

2.3 UK Government launches a Call for Evidence on Greenhouse Gas removals

On 16 May 2025, the UK Government launched a Call for Evidence on how the options for greenhouse gas removals (GGRs) can assist the UK in meeting its net zero targets. As part of this the UK Government is also broadly calling for evidence from the general public, developers and other organisations on several points including:

- potential scale of emissions savings;
- opportunity and barriers to deployment at scale; •economic cost of deploying greenhouse gas removals;
- approaches to transition away from public investment and

- attract private investment;
- role and opportunity to support government missions; •role and options to balance the UK's residual emissions; and
- how GGRs could contribute to UK's security of supply.

The Call for Evidence closes on 20 June 2025.

2.4 EU-UK Summit leads to new joint agreement

On 19 May 2025, the UK Prime Minister met with President of the European Council and the President of the European Commission for the first UK-EU Summit. The Summit is the first since the UK's withdrawal from the EU. The UK-EU Summit included discussions on strategic priorities, joint concerns as well as a signing of a joint agreement.

During the Summit, the UK and EU also announced plans to work towards linking their Emission Trading Schemes (ETS) and to look at agreeing mutual exemptions on the UK and EU CBAMs. The details of the linkage are not yet clear but the linkage is set to streamline regulatory barriers, particularly for carbon dioxide storage, a growth industry in the UK which will benefit from the increased competitiveness.

In addition, the UK Foreign and Defense Secretaries and EU High Representative have agreed to foreign and security policy dialogues every six months. The Summit will be held on an annual basis as part of their new Strategic Partnership as a means to strengthen its relationship.

2.5 Nature

a. Environmental Audit Committee publishes report on the role of natural capital in the UK's green economy

On 7 May 2025, the House of Commons Environmental Audit Committee published a report with its recommendations to the government on the role of natural capital in the UK's green economy.

In the report, the committee recommends that the Government undertake an impact assessment on the Planning and Infrastructure Bill to assess how the Nature Restoration Fund would interact with and impact upon the operation of Biodiversity Net Gain (BNG) and broader initiatives to increase investment in nature markets.

It also notes that although natural capital approaches have been incorporated into policymaking and overall evaluation of the economy, there is little evidence that natural capital and natural capital risk are integrated into decision-making. It recommends that

the Government assesses where a natural capital approach is taken, how these risks are taken into account and how they are mitigated. It also made some recommendations in relation to private market supply and demand to increase private market size and improve functioning.

b. UK Government opens two consultations: (i) Biodiversity net gain (BNG) for nationally significant infrastructure projects and (ii) improving the implementation of BNG for minor, medium and brownfield development

On 28 May 2025, the UK Government opened two new consultations relating to BNG.

The first relates to BNG for nationally significant infrastructure projects (NSIPs). The Department for Environmental Food & Rural Affairs (DEFRA) is proposing the introduction of BNG for NSIPs from May 2026, providing a clear framework to ensure that major infrastructures leave biodiversity in a better state than before the development begun. The framework aims to contribute towards the Government's legally binding Environment Act 2021 targets for biodiversity and provide wider benefits for climate change adaptation and mitigation.

The second consultation covers improving the implementation of BNG for minor, medium and brownfield development. The Government is committed to encouraging economic growth through new development whilst still supporting nature recovery. It is canvassing opinion on amending BNG for more efficient embedding of nature-positive approaches in the planning system.

Chapter 3

3. Chapter 3: International Developments

3.1 BIS announces voluntary climate-risk financial disclosure framework

On 12 May 2025, the Bank for International Settlements (BIS) announced that (i) the Group of Central Bank Governors and Heads of Supervision (GHOS) expects to implement Basel III in full and consistently as soon as possible, (ii) the Basel Committee will publish a voluntary disclosure framework on climate-related financial risks for jurisdictions to consider; and (iii) GHOS will prioritise further analysis on financial risk implications of extreme weather events.

The ISSB has previously noted that it has been collaborating with the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors to build interoperability. It

notes that previously the Basel Committee had proposed qualitative and quantitative disclosure requirements based on IFRS S2 to “provide a common disclosure baseline for internationally active banks”.

3.2 UN body adopts key rules to support the Paris Agreement-aligned carbon market (PACM)

On 16 May 2025, the United Nations body responsible for setting up a carbon market under the Paris Agreement adopted new standards to guide how emissions-reducing projects measure their impact. The Paris Agreement Crediting Mechanism (PACM, also known as Article 6.4) exists to allow countries to raise climate ambition and to implement national plans more affordably. Two key standards were agreed:

1. A standard for estimating the emissions that would have happened without a project under the mechanism (referred as 'baseline'); and
2. A standard for accounting for any unintended increases in emissions that might happen elsewhere as a result of a project (referred as 'leakage').

These standards are key to ensuring that carbon credits issued under the PACM are ambitious, real, additional and verifiable. The Supervisory Body also started a consultation process on how project benefits can be shared equitably with host countries and also focused on capacity building to help countries build the systems they need to take part in the mechanism.

They noted that the first PACM methodologies are expected to be approved by the Supervisory Body by the end of the year.

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