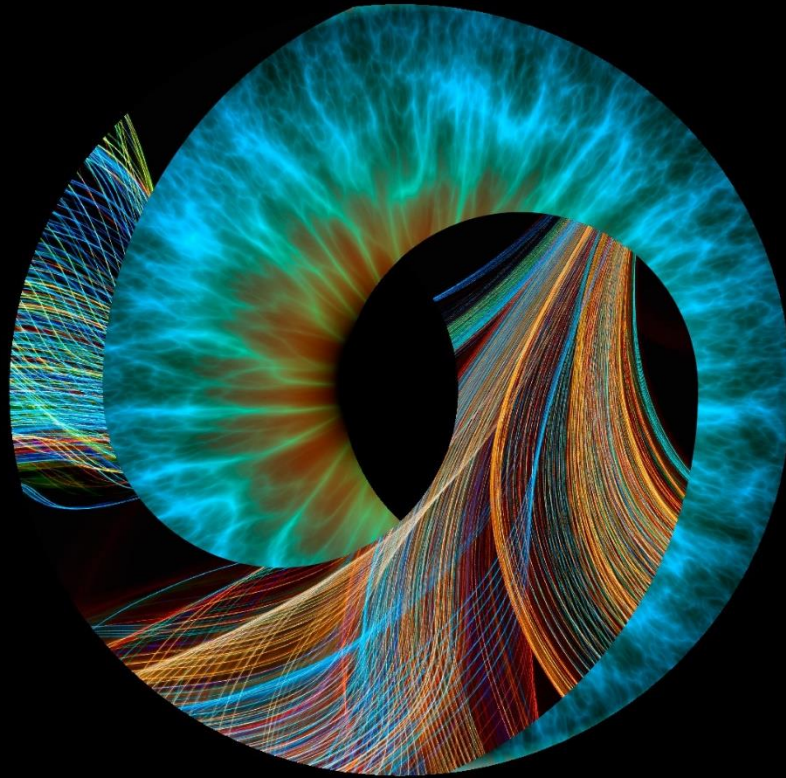


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## **Sustainability Insight** **Unravelling regulatory complexity**

Key policy and regulatory developments: December 2023

*Sustainability Insight* is a monthly newsletter to keep you up to date with key sustainability-related regulatory developments in the EU. The newsletter focuses on the EU Green Deal and EU institutions, but also includes selected international and national developments where they provide context for EU developments. The developments covered are intended to be used for broader general awareness and do not imply any form of advice from Deloitte.

The newsletter is produced by Deloitte's [EMEA Sustainability Regulation Hub](#), supported by [RegHub](#), Deloitte's market-leading digital compliance platform.

## Recent publications from the EMEA Sustainability Regulation Hub



**Webinar:** Join the EMEA Sustainability Regulation Hub on 19 February (10:00-11:30 CET) as we **launch the 2024 edition of our annual Sustainability Regulation Outlook report**. We will be joined by a panel of experts from the European Commission, industry and Deloitte to discuss the key messages of the report and wider themes. This include immediate steps companies can take to unlock opportunities and value. Find out more and register [here](#).



**Blog:** [EU Green Bond Standard: Paving the way for the development of transition finance](#), 18 January 2024.

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## Sustainability reporting

Intl

ISSB

[400 organisations advance adoption of ISSB standards](#), December 2023

Nearly 400 organisations from 64 jurisdictions have committed to advancing the adoption or use of the International Sustainability Standards Board's (ISSB) standards. The ISSB will focus now on advancing jurisdictional adoption of the standards, implementing capacity-building programmes to ensure that developing and emerging jurisdictions are also equipped to adopt and use the standards.

The IFRS Foundation has also launched the *Sustainability Knowledge Hub* to support the use of ISSB disclosures. The Hub hosts resources to help companies prepare their disclosures. The IFRS Foundation will also work with several partners, including the International Organization for Standards (ISO), to advance capacity-building initiatives on ISSB Standards.



EU

EFRAG

[EFRAG publishes draft ESRS Implementation Guidance](#), 22 December

The European Financial Reporting Advisory Group (EFRAG) published three draft European Sustainability Reporting Standards (ESRS) Implementation Guidance (IG) documents for consultation, covering the most challenging aspects of ESRS implementation:

- [Draft EFRAG IG 1: Materiality assessment implementation guidance](#)
- [Draft EFRAG IG 2: Value chain implementation guidance](#)
- [Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance + explanatory note](#)

The guidance is non-binding and aims to support companies in scope of the Corporate Sustainability Reporting Directive (CSRD) to meet their reporting requirements. Stakeholders have until 2 February 2024 to provide feedback.

Alongside this update, the first set of ESRS were published in the [EU Official Journal](#) on 22 December and started to apply on 1 January for financial years beginning on or after 1 January 2024.



**EU EFRAG** EFRAG progresses ESRS interoperability, December 2023

At COP28, EFRAG welcomed the work of ISSB and confirmed that its ESRS have incorporated the ISSB disclosures through an interoperability approach, as previously trailed in [July](#). EFRAG and CDP also [announced a collaboration](#) to accelerate uptake of CSRD through aligning the CDP disclosure system with the ESRS. CDP and EFRAG will offer webinars and detailed technical guidance materials to support companies to report on ESRS data points through CDP. Finally, EFRAG and the Global Reporting Initiative (GRI) [announced steps to enhance their collaboration](#), committing to alignment between the ESRS and GRI reporting standards. A draft [GRI-ESRS interoperability index](#) that maps between the standards has been published.



**Sustainable finance**

**Intl NGFS** [Recommendations towards the development of scenarios for assessing nature-related economic and financial risks](#), 13 December

The Network for Greening the Financial System (NGFS) published a Technical Document containing a series of recommendations related to nature scenarios. The recommendations specifically provide a list of options for central banks and supervisors aiming to assess nature-related economic and financial risks. In the short term, central banks and supervisors, such as those in the EU, might wish to consider either a static or dynamic analysis. In the longer term, institutions might wish to improve dynamic scenarios by supporting improvement in nature-economy models. Additionally, in the longer term, modelling frameworks should incorporate certain crucial characteristics of nature loss, such as tipping points.



**Intl PCAF** [Global GHG Accounting and Reporting Standard on facilitated emissions](#), 1 December

Partnership for Carbon Accounting Financials (PCAF) launched the Global GHG Accounting and Reporting Standard on facilitated emissions associated with capital markets issuances. The standard enables financial institutions for the first time to quantify and report on the greenhouse gas (GHG) emissions associated with their off-balance sheet emissions. The standard aims to bring a consistent approach to measuring emissions from capital markets transactions, adding to previous guidelines from PCAF on [emissions from lending and investment activities](#). It covers primary issuance of capital markets instruments and loan syndication. The initiative is expected to increase transparency and promote informed decision-making related to climate and emissions in the financial industry.



**EU EBA** [Guidelines on benchmarking of diversity practices](#), 18 December

The European Banking Authority (EBA) issued Guidelines on benchmarking of diversity practices. The Guidelines aim to ensure harmonised benchmarking of diversity practices, including the composition of the management body, diversity policies and gender pay gap. Under the new Guidelines, diversity-related data will be collected only from a representative sample of institutions and investment firms every three years. The EBA will analyse the diversity practices and publish a benchmarking report at the Union level, including a country-by-country analysis every three years. The Guidelines will be implemented by the EBA via the data-collection platform (EUCLID). The first data collection will be conducted in 2025 with a reference date of 31 December 2024.



EU

EBA

[Response to Call for Advice on the definition and potential supporting tools for green loans and mortgages](#), 18 December 2023

The EBA published its response to the European Commission's Call for Advice (CfA) on green loans and mortgages. Based on analysis presented in the response, the EBA has recommended several policies that the Commission could consider to support markets for green loans, including:

- Clarifying in the next one to two years what constitutes an economic activity financed by a green loan.
- Setting out an EU definition of green loans in the next one to two years. The EU green loan definition should be based on the EU Taxonomy.
- Considering various options to support markets for green loans in the next two to five years, such as publishing a legislative initiative to introduce a voluntary label for EU green loans, which credit institutions could follow. The initiative could be similar to the one finalised for EU green bonds.



EU

EIOPA

[Consultation Paper on the prudential treatment of sustainability risks](#), 13 December

The European Insurance and Occupational Pensions Authority (EIOPA) published a consultation paper on the prudential treatment of sustainability risks. The consultation focuses on three areas where specialised prudential treatment may be appropriate:

- Assets and transition risk exposures from equities, bonds, property risk and energy efficiency.
- Non-life underwriting and climate change adaptation, including from a premium and reserve risk perspective.
- Social risks and impacts, including from an underwriting and market risk perspective.

EIOPA invites stakeholders to provide feedback on the consultation via the EU Survey by 22 March 2024.



EU

ESMA

[Common Supervisory Action on ESG disclosures for Benchmarks Administrators](#), 13 December

The European Securities and Markets Authority (ESMA) announced it will be launching a Common Supervisory Action (CSA) with National Competent Authorities (NCAs) on ESG disclosures under the Benchmarks Regulation. The goal of the CSA will be to assess compliance of supervised Benchmark Administrators with the ESG disclosure requirement in the Benchmarks Regulation. The CSA will be focused on supervised benchmark administrators located either in the EU or in a third country. It will cover disclosures of ESG factors in benchmark statements and methodologies, and specific disclosure requirements regarding climate benchmarks methodologies. The CSA will be carried out between now and until Q1 2025.



EU

ESMA

[Consultation on draft Guidelines on enforcement of sustainability information](#), 15 December

ESMA published draft Guidelines on the enforcement of sustainability information. The Guidelines aim to ensure regulatory convergence between NCAs in the CSRD and Article 8 Taxonomy reporting. Additionally, the Guidelines establish consistency with the supervision of listed companies' sustainability and financial information.

The Guidelines will be of interest to listed companies required to publish sustainability information by the CSRD and Article 8 of the Taxonomy Regulation, investors and other users of sustainability information.

The consultation is open until 15 March 2024. ESMA will consider the feedback received and is expected to publish the final Guidelines in Q3 2024.



## Real economy

**Intl**                      **UNFCCC**                      [COP28 delegates agree to 'transition' away from fossil fuels](#), 13 December

From November 30 to December 12, governments and policymakers, including those from the EU, gathered at COP28 in Dubai for climate negotiations. This summit is a significant step in global efforts to address climate change and shift towards sustainable energy practices, in line with the objectives of the Paris Agreement.

The MEPs leading the European Parliament delegation responded to the summit's outcomes, labelling the decision to shift towards renewable energy and energy efficiency as historic. They underscored the importance of transitioning from fossil fuels to greener resources, such as hydrogen. The agreement highlights the immediate need for all countries to take action to reduce emissions, with a commitment to updating national climate plans for the upcoming COP. It also emphasizes the influence of financial actors in this global transition and the importance of financing adaptation to limit climate change.

Despite these advancements, countries did not adopt key texts under Article 6 of the Paris Agreement, in particular, covering issues related to carbon removals and questions of transparency and climate ambition.



**Intl**                      **UN FAO**                      [UN publishes new global roadmap to transform agrifood systems](#), 10 December

The UN's Food and Agriculture Organization (FAO) revealed a global roadmap during COP28 to transform the global agrifood system to achieve zero hunger (the second of the 17 UN Sustainable Development Goals (SDGs)). The roadmap identifies actions that policymakers can take within ten priority areas, including livestock, soil, water, and fisheries. The roadmap sets out several global milestones that policymakers could achieve, including phasing out of all illegal, unreported, and unregulated fishing activities, halving food waste at the retail and consumer levels, and banning the use of traditional biomass for cooking.

The second and third parts of the roadmap will be unveiled at COP29 and COP30, respectively. Part two will recommend actions that can be set at the regional level, while part three will establish country action plans, monitoring and accountability rules. In the context of the EU, this roadmap is particularly relevant as it provides a structured framework that Member States can use to address agrifood challenges and align with the EU's commitment to sustainability, food security, and the achievement of the SDGs.



**EU**                      **EC**                      [European Commission proposes chemicals assessment reform for faster, simplified and transparent processes](#), 7 December

The European Commission published the 'one substance, one assessment' package as part of the Chemicals Strategy for Sustainability. The package is compiled of the following three legislative proposals: [Regulation establishing a common data platform on chemicals](#), [Regulation in the re-attribution of scientific and technical tasks and improving cooperation among Union agencies in the area of chemicals](#), and the [Directive on the re-attribution of scientific and technical tasks to the European Chemicals Agency](#). The package of proposals aims to:

- Strengthen cooperation and consolidate scientific and technical work on chemicals within the European Chemicals Agency, the European Food Safety Authority, the European Environment Agency and the European Medicines Agency.
- Create a Common Data Platform and introduce a one-stop shop to provide access to data on chemicals held by EU agencies and the Commission.

- Establish systematic collection of human biomonitoring data that has been generated in the EU to enable policymakers to understand the levels of chemicals found in people (e.g., in blood).
- Set up a monitoring and outlook framework to enable early detection of chemical risks and prevent widespread chemical pollution.
- Increase transparency of scientific studies on chemicals, including studies that have been commissioned by companies.

As a next step, the European Parliament and Council will examine the proposals to determine their negotiating mandates for trilogues.



**EU**                      **EC**                      [European Commission publishes secondary legislation on the energy efficiency of data centres](#), 12 December

The European Commission published a delegated regulation on the energy efficiency of data centres alongside a four-week consultation on the text. The secondary legislation has been announced as part of the recently finalised revised Energy Efficiency Directive (EED). As outlined in Article 12, the EED requires data centres to publish information on their energy performance and sustainability. The information and key performance indicators will be communicated to an EU-level database and then published in an aggregate form. The delegated regulation outlines the information and key performance indicators that data centres should report. It also defines the first sustainability indicators that will be used for the rating of data centres.

The consultation period finished on 8 January and the Commission will now finalise the delegated regulation and start the process for its formal adoption. This will include a two-month scrutiny period by the European Parliament and Council.



**EU**                      **EP**                      [European Parliament formally approves the final text of the Critical Raw Materials Act](#), 12 December

The European Parliament officially approved the text of the Critical Raw Materials Act (CRMA). The CRMA was proposed by the European Commission in March 2023 as part of the EU's Green Deal Industrial Plan to enhance the EU's competitiveness. The CRMA establishes a framework to ensure the EU has a secure and sustainable supply of critical and strategic raw materials (a strategic raw material (SRM) is a critical raw material (CRM) of high strategic importance for the EU). To achieve this aim, the CRMA includes the following objectives:

- Strengthen the different stages of the SRM value chain so that by 2030, the EU's extraction capacity covers at least 10% of the EU's annual consumption of SRMs, the EU's processing capacity covers at least 40% of EU annual consumption of SRMs, and the EU's recycling capacity covers at least 25% of the EU annual consumption of SRMs.
- Diversify the EU's imports of SRMs so that by 2030, the EU's annual consumption of each SRM at any stage of the processing does not rely on a third country that provides more than 65% of the EU's annual consumption of the SRM.
- Improve the EU's ability to monitor and mitigate the supply risk for CRMs. As part of this, companies manufacturing strategic technologies using SRMs will need to perform a risk assessment of their supply chain every three years.
- Ensure the free movement of CRMs and products containing CRMs placed on the EU market.

As a next step, the CRMA will need to be formally adopted by the Council before it can be published in the EU Official Journal. It will apply immediately.



**EU**                      **EP**                      [European Parliament and Council reach provisional agreement on the final text of the Corporate Sustainability Due Diligence Directive](#), 14 December

The European Parliament and Council reached a provisional agreement on the final text of the Corporate Sustainability Due Diligence Directive (CSDDD). The CSDDD was proposed by the European Commission in February 2022 to reduce the risk of actual and potential adverse human



rights and environmental impacts arising within global value chains. The European Parliament and Council have agreed on the scope and timing of the Directive (this includes determining that the downstream activities of financial services firms should be temporarily excluded), the extent of the due diligence, liabilities of non-compliant companies, climate transition planning and corporate governance.



<b>EU</b>	<b>EP Council</b>	<a href="#">European Parliament and Council reach provisional agreement on the final text of the Ecodesign Framework for Sustainable Products</a> , 5 December
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The European Parliament and Council reached a provisional agreement on the EU's Ecodesign Framework for Sustainable Products (ESPR). The regulation was proposed by the European Commission in March 2022 to enhance product durability, recyclability, and resource efficiency. The European Parliament and Council agreed on the following:

- Priority product groups: products including iron, steel, aluminium, textiles, furniture, tyres, detergents, paints, lubricants, chemicals, and electronics (including phones and tablets) will be prioritised in the first working plan (published within nine months after the ESPR's entry into force).
- Secondary legislation: product-specific eco-design requirements, including technical specifications for Digital Products Passports, will be set by the Commission through secondary legislation.
- Ban on destruction of unsold goods: the rules will apply to textiles, including clothing and footwear, within two years after the ESPR enters into force. The Commission has also been authorised to extend the ban on destruction of unsold goods to more products.

As a next step, the European Parliament and Council will need to approve the agreement before it can be published in the EU Official Journal.



<b>EU</b>	<b>EP Council</b>	<a href="#">Provisional agreement reached on the final text of the revision of the regulation on the classification, labelling and packaging of chemicals</a> , 5 December
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The European Parliament and Council reached a provisional agreement on the final text of the revision of the regulation on the classification, labelling and packaging of chemicals (CLP). The European Commission proposed a revision of the regulation in December 2022 to protect consumers, workers and the environment better. The European Parliament and Council agreed on the final text to include the following measures to:

- Enable better and quicker processes for all stakeholders to provide information on chemical hazards on the EU market.
- Improve communication of chemical hazards, including online, via simpler and clearer labelling and advertising requirements.
- Empower the Commission to accelerate the process for identifying hazardous substances and make the necessary classification proposals.
- Introduce specific rules for refillable chemical products so consumers can safely buy and use chemical products sold in bulk, such as home care chemicals.

As a next step, the European Parliament and Council will need to approve the agreement before it can be published in the EU Official Journal.



<b>EU</b>	<b>EP Council</b>	<a href="#">Provisional agreement reached on the final text of the revision of the Energy Performance of Buildings Directive</a> , 7 December
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The European Parliament and Council reached a provisional agreement on the final text of the revised Energy Performance of Buildings Directive (EPBD). The European Commission proposed a revision to the EPBD in December 2021 to support the decarbonisation of the EU's building stock. The European Parliament and Council agreed on the final text to include the following key measures for Member States:

- For existing residential buildings, reduce average primary energy use by 16% in 2030 and 20-22% by 2035. At least 55% of the reductions in average primary energy use must be achieved by renovating the worst energy performing buildings.
- For existing non-residential buildings, renovate the 16% worst performing buildings by 2030 and the 26% worst performing buildings by 2033.
- Ensure all publicly-owned new residential and non-residential buildings are zero emissions from 1 January 2028 and ensure all other new buildings are zero emissions from 1 January 2030.
- End subsidies for the installation of fossil fuel boilers from 1 January 2025 and achieve a complete phase out of fossil fuel powered boilers by 2040.

As a next step, the European Parliament and Council will need to approve the agreement before it can be published in the EU Official Journal.



**EU**                      **EP**                      [Provisional agreement reached on the final text of the gas and hydrogen markets regulation](#), 8 December  
**Council**

The European Parliament and Council reached a provisional agreement on the final text of the gas and hydrogen markets regulation. The European Commission proposed the regulation in December 2021 to increase the production of renewable gases and hydrogen and facilitate their integration in EU networks. The European Parliament and Council agreed for the final text to include the following key measures:

- Enable Member States to restrict imports of gas from Russia and Belarus.
- Facilitate the joint purchasing of gas to aggregate demand and mitigate the risk of Member States competing against each other during gas bidding.
- Boost investment in new infrastructure for hydrogen, especially in coal regions, to generate incentives for producers and consumers to switch to biomethane and low-carbon hydrogen.
- Require the Commission to assess how to integrate hydrogen, electricity and gas sectors more effectively. The assessment must take place by 2029.

As a next step, the European Parliament and Council will need to approve the agreement before it can be published in the EU Official Journal.



**EU**                      **EP**                      [Provisional agreement reached on the final text of the reform of the EU electricity market design](#), 14 December  
**Council**

The European Parliament and Council reached a provisional agreement on the final text of the reform of the EU electricity market design. The European Commission proposed the regulation in February 2023 to ensure the EU electricity market is more stable, affordable and sustainable. The European Parliament and Council agreed for the final text to include the following key measures:

- Ensure consumers have the right to access fixed-price energy contracts and dynamic-price energy contracts and ban suppliers from being able to change the terms of an energy contract unilaterally.
- Enable Contracts for Difference (CfDs) or equivalent schemes to be allowed in all investments in new electricity production, including for nuclear energy. In CfDs, public authorities compensate energy producers if the market price falls steeply and collects payments from them if the price is too high.
- Require the Commission to assess the possibility of using the EU's Renewable Energy Financing Mechanism to coordinate an EU-wide renewable energy auction.

As a next step, the European Parliament and Council will need to approve the agreement before it can be published in the EU Official Journal.



**EU**                      **EP**                      [Provisional agreement reached on Trans-European transport network regulation](#), 18 December  
**Council**



The European Parliament and Council reached a provisional agreement on the final text of the revised EU guidelines for the trans-European transport network (TEN-T). The revised Regulation aims to establish a reliable, sustainable and connected transport network across Europe by 2050. The European Parliament and Council provisionally agreed on the final text to include the following:

- Network Completion: mandate the completion of the core network by 2030, extended core by 2040, and comprehensive network by 2050.
- Rail Enhancement: set 160km/h minimum for passenger trains.
- Road Infrastructure: design/upgrade roads on core and extended networks with separate carriage ways and safe parking.
- Urban Mobility Plans: establish Sustainable Urban Mobility Plans for urban nodes by 2027.
- Airport Connectivity: strengthen major city airport-railway links for sustainable transportation and reduced domestic flights.

As a next step, the European Parliament and Council will need to approve the agreement before it can be published in the EU Official Journal.



<b>EU</b>	<b>EP Council</b>	<a href="#">Provisional agreement reached on Euro 7 Regulation</a> , 18 December
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The European Parliament and Council reached a provisional agreement on the final text of the Regulation on type-approval of motor vehicles and engines and of systems, components and separate technical units intended for such vehicles, with respect to their emissions and battery durability (otherwise known as Euro 7 Regulation). The European Commission proposed the Regulation in November 2022 to replace previously separate emission rules for cars and vans (Euro 6), and lorries and buses (Euro VI). The European Parliament and Council agreed on the following:

- Maintain the existing Euro 6 limits for all exhaust emissions from cars and vans, but further limit the tailpipe emission of solid particles.
- Establish more stringent limits for pollutants for heavy-duty buses and lorries, such as NOx, PM and NH3.
- Create a brake emission limit of 3mg/km for electric cars and vans and 5 mg/km for electric heavy-duty vans.
- Introduce new lifetime mileage requirements for all vehicles by increasing mileage to 200,000km or 10 years.

As a next step, the European Parliament and Council will need to formally approve the agreement before it can be published in the EU Official Journal.



<b>UK</b>	<b>UK Gov</b>	UK CBAM and CCUS sector vision unveiled, 18 and 20 December
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The UK government announced plans to implement a [carbon-border adjustment mechanism \(CBAM\)](#) by 2027. It will apply a charge on the carbon emissions embodied in imports from the following sectors: aluminium, cement, fertiliser, glass, hydrogen, iron and steel. The implementation of the CBAM will be subject to consultation later this year.

The UK government also unveiled its [vision of the UK carbon capture, usage and storage \(CCUS\) sector](#) in the 2030s. The vision is based around the UK government's ambition to create a self-sustaining CCUS market from 2035. To achieve this goal, the UK government plans to:

- Move to a competitive allocation process for carbon capture projects from 2027.
- Create the conditions for projects that cannot transport CO2 by pipeline to enter the market from 2025 onwards.
- Establish an industry-led working group to identify and adopt solutions to reduce the costs of capturing CO2.



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### About the EMEA Sustainability Regulation Hub

The EMEA Sustainability Hub is a source of critical regulatory strategy insight and advice, designed to help business leaders understand and assess how sustainability regulation will drive the evolution of business strategies and operating models. As sustainability regulatory requirements and standards expand, it is essential to adopt a strategic approach to navigate the complexity, and to engage with regulators proactively. We develop early insights across industries on emerging EU sustainability regulations, policies, industry standards and codes of conduct to help you assess how best to transform strategies and operating models.

<https://www2.deloitte.com/uk/en/pages/financial-services/topics/emea-sustainability-regulation-hub.html>.

### About RegHub

RegHub helps firms to optimise the management of regulatory adherence. RegHub is designed by risk and compliance professionals and helps firms establish traceability and transparency, transform how they report and achieve cost efficiencies by digitising the lifecycle into a single platform. <https://www2.deloitte.com/uk/en/pages/risk/solutions/reghub.html>.

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