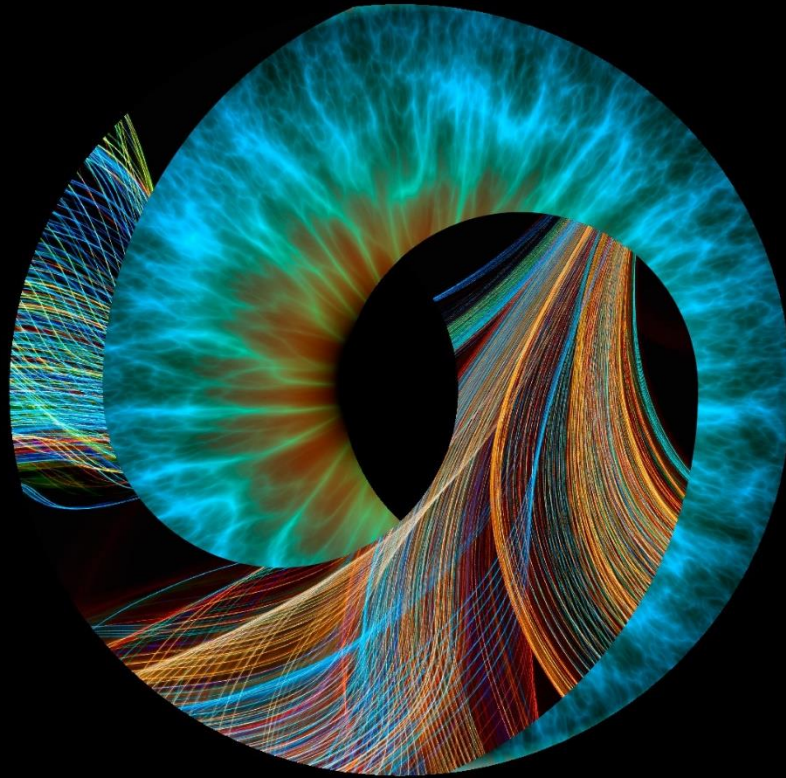


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Sustainability Insight **Unravelling regulatory complexity**

Key policy and regulatory developments: February 2024

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



Report: [Sustainability Regulation Outlook Report 2024](#). Our latest annual report explores the most pressing EU sustainability regulatory updates for 2024 and their implications on companies' business strategy and operations. The report covers five areas: Sustainability Reporting, Circularity, Supply and Value Chains, Decarbonisation, and Greenwashing.



Blog: [How the TNFD recommendations and guidance support corporate sustainability reporting](#), 29.02.2024

Blog: [Exploring the integration of tax in EU sustainability regulations](#), 02.14.2024

Blog: [Cutting deforestation out of supply chains](#), 02.02.2024

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Sustainability reporting		
EU	EP, Council	European Council and Parliament Reach Agreement: Two-Year Delay on Sustainability Reporting for Select Sectors and Third-Country Companies , 07 February
<p>The European Parliament and the European Council reached a provisional agreement for the two-year delay for the development of sector-specific and third-country sustainability reporting standards under the Corporate Sustainability Reporting Directive (CSRD). This delay has been approved to ensure companies can focus on the implementation of the first set of European Sustainability Reporting Standards (ESRS) that were adopted in July 2023. The agreement does not affect the reporting deadline for third-country companies. Third-country companies brought into scope of the CSRD will have to report in 2029 for FY2028 data.</p> <p>As a next step, the provisional agreement needs to be formally adopted by both institutions and published in the Official Journal of the European Union.</p>		
EU	EFRAG	EFRAG launches public consultation on the Draft XBRL Taxonomy for ESRS Set 1 , 08 February
<p>The European Financial Reporting Advisory Group (EFRAG) has launched a public consultation on the Draft XBRL Taxonomy for ESRS Set 1 and for Article 8 disclosures. These digital taxonomies facilitate the machine-readable tagging of sustainability reporting. The consultation, open until April 8, 2024, invites stakeholders to review and test the taxonomies, providing feedback through online questionnaires.</p> <p>This is relevant because the European Commission assigned EFRAG the task of developing the ESRS Set 1 Taxonomy, which, once finalised, will serve as the basis for the European Securities and Market Authority's (ESMA) draft Regulatory Technical Standards (RTS) for tagging ESRS sustainability statements.</p>		



Sustainable finance

EU **EP, Council** [Environmental, social and governance \(ESG\) ratings: Council and Parliament reach agreement](#), 05 February

The European Parliament and Council agreed on regulations regarding ESG. The areas of the agreement include the scope of the regulation, authorisation requirements for ESG ratings providers, and the principle of separation of business and consulting, audit or credit rating activities.

ESG ratings providers established in the EU must obtain authorisation from ESMA to provide ESG ratings. Non-EU based ESG rating providers will need to obtain an endorsement from an EU authorised ESG ratings provider or be included in the EU registry of ESG ratings providers. Small ESG ratings providers have the option to register for a lighter, temporary ESG ratings regime of three years.

If financial services firms and financial advisers disclose ESG ratings as part of their marketing communications, they will need to publish their ratings methodologies on their websites.

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



EU **ECB** [Study on banks' Pillar 3 disclosures](#), 21 February

The European Central Bank (ECB) published a study of banks' compliance with Pillar 3 disclosure requirements. The study revealed:

- Although banks have increased their climate-related and environmental disclosures, the ECB has found further room for improvement.
- Data quality and quantity issues exist when using both qualitative and quantitative templates.
- During the collection of Pillar 3 information, challenges arose due to dispersed ESG risk information and varying data formats.

The study concludes that banks need to improve their disclosure of forward-looking information, such as their plans to meet targets related to business model and strategy. They also need to explain better how they identify, measure, and monitor activities and exposures sensitive to ESG risks.



Real economy

EU **EP, Council** [European Parliament and Council formally approve new funding mechanism for clean technologies](#), 27 and 28 February

The European Parliament and Council formally approved the agreement on the Regulation establishing the Strategic Technologies for Europe Platform (STEP). STEP will channel an additional €1.5bn of investments into associated services and value chains within digital technologies, net zero technologies and biotechnologies. Under the new rules, projects recognised as strategic projects under the upcoming Net Zero Industry Act will be eligible for funding. As a next step, the Regulation will be published in the EU Official Journal and enter into force the following day.



EU **Council** [Council approves final text of new legislation banning greenwashing and misleading product information](#), 20 February

The Council formally approved the agreement on the Directive for Empowering Consumers for the Green Transition. The Directive sets out new definitions for which commercial practices should be banned or considered misleading. Under the new rules, companies are prohibited from using the following:

- Generic environmental claims about their products and organisations (e.g., 'green', 'eco-friendly' and 'biodegradable').
- Ecolabels that have not been certified or established by a national public authority.

- Carbon offsetting schemes to claim a product, organisation or brand has a neutral, reduced or positive environmental impact.
- Unfounded durability claims and prompts for consumers to replace products earlier than necessary.

Since the European Parliament and Council have both officially approved the final text of the Directive, the Directive will be shortly published in the EU Official Journal. We expect that the new rules to enter into force in the first half of 2024 and will apply from late-2026.



EU **EP**

[European Parliament approves new procedures and controls on shipments of waste](#), 27 February

The European Parliament formally approved the agreement on the Waste Shipment Regulation. The Regulation sets out new rules on how waste is exported from the EU. Under the new rules, exporting plastic waste to non-OECD countries will be banned within two and a half years after the Regulation enters into force (expected 2024). Meanwhile, plastic waste exports to OECD countries will be subject to stricter conditions. As a next step, the Regulation will need to be formally adopted by the Council before it can be published the EU Official Journal.



EU **EP**

[European Parliament formally approves new law to restore the EU's land and sea](#), 27 February

The European Parliament formally approved the agreement on the Nature Restoration Law. The new legislation sets an EU-wide target to restore at least 20% of the EU's land and seas by 2030 and all ecosystems in need of restoration by 2050. Under the new rules, Member States will be required to devise a national restoration plan that outlines how they will meet the restoration targets, including monitoring and reporting progress. They will also need to put in place several ecosystem-specific measures, such as planting at least three billion extra trees by 2030 at the EU level. As a next step, the Regulation will need to be formally adopted by the Council before it can be published in the EU Official Journal.



EU **EP**

[European Parliament approves new list of definitions of and sanctions for environmental crimes](#), 27 February

The European Parliament formally approved the agreement on the revision of the Environmental Crime Directive. The revised Directive contains an updated list of criminal offences, such as illegal timber trade, depletion of water resources, and pollution of soil and air. Under the new rules, environmental crimes committed by individuals and company representatives could be imprisoned. Companies could also be fined up to 5% of their annual global turnover. All offenders would be required to implement due diligence schemes to enhance compliance and to repair any damage. As a next step, the Directive will need to be formally adopted by the Council before it can be published in the EU Official Journal.






EU **EP, Council**

[European Council and Parliament reach provisional political agreement on Right to Repair](#), 2 February

The European Parliament and Council reached a provisional agreement on the final text of the Right to Repair Directive. The legislation aims to make it easier for consumers to repair their products, making the process faster, transparent and affordable. It requires manufacturers selling their products in the EU to provide information on spare parts on their websites and make spare parts available to all parties in the repair sector at a reasonable price. The legislation outlines separate reparability requirements for specific products such as washing machines, dishwashers, refrigerators and vacuum cleaners.

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



EU	EP, Council	Net-Zero Industry Act: Council and Parliament strike a deal to boost EU's green industry , 06 February
<p>The European Parliament and Council reached a provisional deal on the Net-Zero Industry Act (NZIA). The Regulation aims to accelerate the industrial deployment of net zero technologies required to reach the EU's climate objectives.</p> <p>The main elements of the agreement include:</p> <ul style="list-style-type: none"> - Scope and list of decarbonisation technologies: provide clarity and confidence to investors in net zero technologies. - Fast permit-granting processes: reduce permit processing time by approximately 12-18 months. - Net zero industrial valleys: promote the development of specific areas suitable for the construction or expansion of manufacturing facilities. - Public procurement: promote the purchase of net zero technology products. - Auctions to deploy renewable energy sources: non-price related pre-qualification and award criteria will have to apply to a minimum of 30% of the annual renewable energy auctioned per Member State. <p>As a next step, the provisional agreement will need to be formally adopted by the Parliament and Council before it can be published in the EU Official Journal.</p> 		
EU	EP, Council	Maritime safety: Council and Parliament strike a deal to ensure cleaner shipping in the EU , 15 February
<p>The European Parliament and Council reached a provisional agreement on the final text of the revised Directive on ship-source pollution. The revised Directive aims to:</p> <ul style="list-style-type: none"> - Expand the scope of the existing Directive to include illegal discharges of harmful substances in packaged form, sewage, garbage and discharged waters and residues. - Strengthen the legal framework for penalties and their application so Member States can ensure a 'dissuasive and consistent' application of sanctions for ship-source pollution incidents. - Provide flexibility to Member States to verify and report pollution incidents. <p>As a next step, the European Parliament and Council will need to approve the agreement before the Directive can be published in the EU Official Journal.</p> 		
EU	EP, Council	European Parliament and Council reach a deal on Carbon Removals Certification Framework , 20 February
<p>The European Parliament and Council reached a provisional agreement on the final text of the Regulation establishing the first EU-level certification framework for carbon removals. Key points of the agreement include:</p> <ul style="list-style-type: none"> - Provides an EU-wide definition on carbon removals, which differentiates between permanent carbon storage, carbon storage in long-lasting products and carbon farming. - Develops certification methodologies for different types of carbon removal activities based on the certification criteria: quantification, additionality, long-term storage, and sustainability. - Provides clear monitoring obligations as well as liability rules and mechanisms for operators. <p>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.</p> 		
EU	EP, Council	European Parliament and Council reach a deal on new legislation to improve air quality , 20 February
<p>The European Parliament and Council reached a provisional agreement on the final text of the Ambient Air Quality Directive. Key points of the agreement include:</p> <ul style="list-style-type: none"> - Implement stricter air quality 2030 limits and targets for several pollutants, such as PM_{2.5}, PM₁₀, NO_x and SO₂. - Allow Member States to request up to a ten-year extension on meeting the pollution limits. - Provide enhanced access to justice for citizens and NGOs to challenge implementation and seek compensation for health harm due to rule violations. 		

- Mandate all Member States to develop air quality roadmaps by 2028, detailing measures to comply with the stricter 2030 limits.

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



EU **EC** [Recommendation for 2040 emissions reduction target](#), 6 February

The European Commission published an impact assessment on possible pathways the EU could take to meet its 2050 carbon neutrality target. As part of this, the Commission recommended a 90% net greenhouse gas (GHG) emissions reduction by 2040, as compared to 1990. The Commission outlined the following sectors as having a key role to play in this decarbonisation pathway and in the energy transition:

- The energy sector is expected to decarbonise shortly after 2040 through all the zero and low carbon energy solutions (e.g. carbon capture for storage (CCS), carbon capture for utilisation (CCU), renewables, carbon removals, energy efficiency, nuclear, geothermal and hydrogen).
- The transport sector is also expected to decarbonise through the combination of technological solutions and carbon pricing.
- Finally, while ensuring food sovereignty, the agriculture sector can also play a role in the transition by means of improving the carbon storage capacity of soils and forests.

As a next step, the Commission will provide a legislative proposal following the European elections.



EU **EC** [Draft Strategy and Policy Statement for energy policy published](#), 27 February

The European Commission published a strategy to drive EU industrial leadership in advanced materials. Advanced materials are intentionally designed and engineered to exhibit superior or special functions and are fundamental for innovation in energy, electronics, construction and mobility. The strategy proposes actions for Member States, industry and other stakeholders within five pillars, including strengthening the research ecosystem and fast-tracking innovative materials to market. The strategy is the first step towards a common European approach for advanced materials. It lays the foundation for further action.



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.

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