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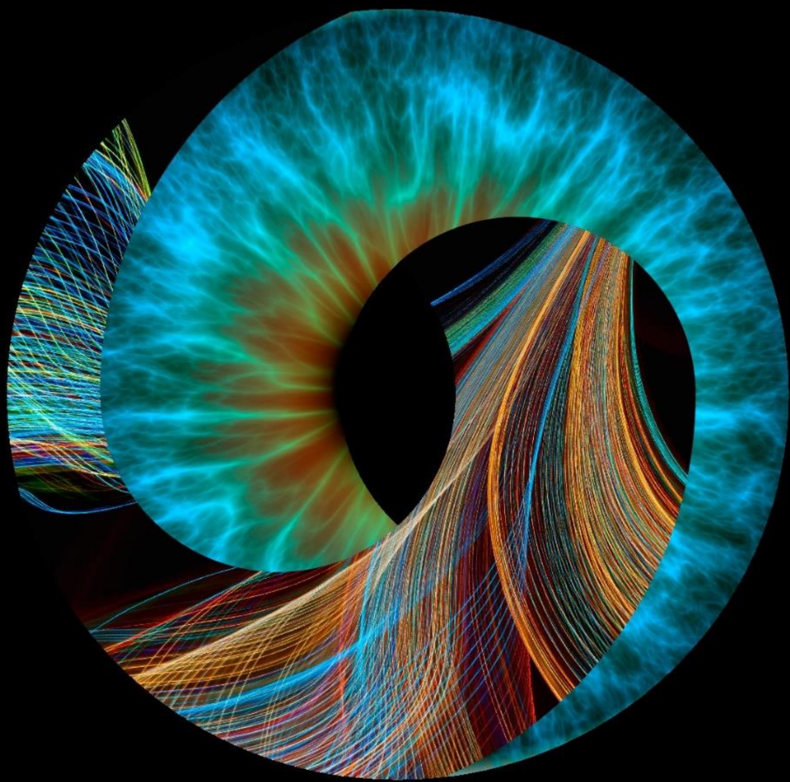

Sustainability Insight
Unravelling regulatory complexity

Key policy and regulatory developments: November 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.

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Podcast series: Every step taken at COP28 will shape history and define our global journey towards sustainability. This series of conversations with Deloitte Middle East leaders shares their perspectives on industry and regulatory trends, unique challenges and opportunities facing the region and anticipated outcomes at COP.

You can watch the podcasts here: COP28 Conversations

Additional information on COP28 developments can be found at Deloitte's COP28 UAE website.

Blog: Recent developments in the Voluntary Carbon Market: Key implications, 21 November 2023

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Sustainability reporting		
EU	**EFRAG**	**EFRAG publishes new draft GRI-ESRS Interoperability Index**, 30 November

The European Financial Reporting Advisory Group (EFRAG) and the Global Reporting Initiative (GRI) have signed a Memorandum of Understanding (MoU) to strengthen technical support for reporting companies by continuing the connection between the bodies responsible for the European Sustainability Reporting Standards (ESRS) and the GRI standards. A GRI-ESRS Interoperability Index has been released setting out how the disclosure requirements relate to one another.

Going forward, ESRS entities will be considered reporting 'with reference' to the GRI standards, and GRI reporters will be able to use their efforts for the ESRS "sustainability statement". The MoU defines future cooperative efforts, including the development of sector standards, proportionate reporting for EU small and medium-sized enterprises, education and training initiatives, and digital interoperability.

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EU	**EFRAG**	**EFRAG publishes draft implementation guidance on ESRS data points**, 15 November

EFRAG published the draft version of its implementation guidance on ESRS datapoints. The guidance aims to support the first group of undertakings in scope of the Corporate Sustainability Reporting Directive (CSRD) as they prepare their sustainability reports in line with the ESRS from 1

January 2024. The draft guidance provides a complete list of the disclosure requirements for sector-agnostic standards.

For undertakings that already report on sustainability-related information, the guidance can be used to conduct a gap analysis of information currently available. The guidance also provides a structure that report preparers may use to organise the data requirements and comply with the ESRS.

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Sustainable finance		
Intl	**UNEP FI**	UNEP FI publishes fifth recommendation on credible net-zero commitments, 10 November

The fifth recommendation from the United Nations Environment Programme's Finance Initiative (UNEP FI) on credible net zero commitments underscores the need for financial institutions to commit to credible carbon neutrality goals by addressing emissions throughout their value chain.

The recommendation document reveals that 97% of greenhouse gas (GHG) emissions from financial institutions fall under Scope 3, and are linked to financing, investment, and underwriting activities. To cover the entire value chain, policymakers must collaborate with financial institutions to enhance the availability and accuracy of emissions data. This collaborative effort should focus on establishing consistent standards for GHG disclosure, to ensure reliable and comparable measurement of emissions.

The UNEP FI emphasises the urgency of climate change and the need for rapid emission reductions to achieve the goal of carbon neutrality by 2050 – the same timeframe as is in the EU Green Deal.

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Intl	**UNEP FI**	UN-Convened Net-Zero Asset Owner Alliance releases a foundational paper for asset owner expectations of asset managers' climate engagement, 16 November

The UN-Convened Net-Zero Asset Owner Alliance, a coalition dedicated to advancing sustainable investment practices, has issued guidelines to inform the selection, appointment, and oversight of asset managers. This paper serves as a tool for asset owners to outline and implement expectations for climate engagement within investment mandates.

The paper strongly supports the objectives of the EU Green Deal by emphasising climate engagement, governance, transparency, and accountability within investment mandates, thereby aligning financial and sustainability practices.

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Intl	**IAIS**	IAIS consults on climate risk supervisory guidance, market conduct and scenario analysis, 23 November

The International Association of Insurance Supervisors (IAIS) has published a consultation on climate risk supervisory guidance, market conduct and scenario analysis. It seeks views on a globally consistent approach for supervisors in relation to climate risk. In addition, the consultation echoes the EU Green Deal's goals by fostering sustainable finance and promoting global collaboration on standardised approaches to manage climate risks.

More specifically, the IAIS is consulting on two draft application papers:

- The first paper focuses on climate risk market conduct issues. It aims to help insurance supervisors identify potential unfair treatment of consumers related to natural catastrophe protection or sustainability-focused products.
- The second paper considers how climate-related scenario analysis can overcome shortcomings of existing methods for assessing risks and how it should be considered in light of the Insurance Core Principles (ICP) for enterprise risk management for solvency purposes and macroprudential supervision.

The consultation closes on 23 February 2024.

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Intl	**BCBS**	**BCBS publishes consultation on a disclosure framework for climate-related financial risk**, 29 November

The Basel Committee on Banking Supervision (BCBS) issued a consultation on Pillar 3 disclosure of climate-related financial risks. Subject to the volume of responses received, final standards can be expected by end-2024. According to the proposal, banks would have to make disclosures on:

- Qualitative disclosures on governance, strategy, risk management, and concentration risk.
- Quantitative disclosures on exposure by sector, financed emissions, exposures subject to physical risk by geographical area.

Other bank-specific metrics could potentially include disclosure of exposures by credit quality (including non-performing loans and allowances), maturity profile of exposures subject to physical and transition risk over varying time frames. Forward-looking metrics could include forecasts for financed emissions, emission intensity per physical output and facilitated emissions.
The BCBS proposed an application date of 1 January 2026 (one year after the effective date proposed by the International Sustainability Standards Board (ISSB)and after the expiration of the ISSB's proposed transitional arrangements).

The deadline for consultation responses is 29 February 2024.

Intl	**UNEP FI** **PRB**	**The Principles for Responsible Banking releases climate adaptation target setting guidance ahead of COP28,** 28 November

The UNEP FI and the Principles for Responsible Banking (PRB) have published new guidance for banks. The guidance aims to assist banks in managing climate-related implications and financing adaptation by offering an initial approach to setting adaptation targets, integrating them into transition plans and sustainability strategies. The guidance also considers the diverse challenges faced by banks globally, especially in the Global South where climate vulnerabilities are the greatest (e.g., floods). As a next step, UNEP FI will consider the practical implementation of the guidance by piloting sector-specific elements with a select group of signatory banks.

EU	**ECB**	**ECB publishes paper on physical risk and the implications for financial stability**, 10 November

The European Central Bank (ECB) published an analysis of the relationship between nature, the economy and banks in the eurozone. The results show that:

- Europe's economy is highly dependent on biodiversity and ecosystem services (i.e., the benefits that nature provides to enable economic activities, including food production, water purification and floor protection).
- Nature-related physical risks (i.e. gradual and acute physical changes to the planet from the loss of nature) and transition risks (i.e., risks arising from changes in policy, regulation, technology, consumer and investor preferences) can spread to the financial system and potentially trigger instability.
- Approximately 75% of corporate loans to non-financial corporations from banks in the eurozone (nearly €3.2 trillion) are highly dependent on at least one ecosystem service.

Progress to measure and understand nature-related risks is less advanced than for climate-related risks. Gaps need to be filled in disclosures and quantitative risk modelling frameworks.

EU	**ESMA**	**ESMA issues explanatory notes on sustainable finance concepts**, 22 November

The European Securities and Markets Authority (ESMA) has published three 'explanatory notes':

- Do No Significant Harm (DNSH): summary of DNSH principles and requirements under the EU Taxonomy Regulation, Sustainable Finance Disclosure Regulation (SFDR) and the Benchmarks Regulation (BMR).
- Sustainable investments: summarises sustainable investment under the SFDR and the definition of environmentally sustainable economic activities under the EU Taxonomy Regulation.

- Use of estimates under the EU sustainable finance framework: explains 'estimates' and 'equivalent information' and the conditions under which these are allowed as sources of data for reporting under the EU Taxonomy Regulation, SFDR and the BMR.

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UK	**FCA**	**FCA publishes final rules for Sustainability Disclosure Requirements**, 29 November

The UK Financial Conduct Authority (FCA) published the final Sustainability Disclosure Requirements (SDR) regime. The SDR consists of: (i) a standalone anti-greenwashing rule for all regulated financial services firms; and (ii) a sustainable investment label regime, product and firm level disclosures, marketing restrictions, and rules for distributors.

The key changes to the FCA's original consultation on the rules include:

Anti-greenwashing rule:

- The rule will become applicable at a later date - 31 May 2024.
- The rule applies to (but is not limited to) claims about the environment, climate or climate change, biodiversity and nature, social issues, or corporate social responsibility.
- Having previously not elaborated on what clear, fair and not misleading means in the context of sustainability, the FCA has now published a consultation on guidance.

Sustainable investment labels:

- Labels with the word 'Sustainable' will need to be replaced with 'Sustainability', i.e., they will be 'Sustainability Focus' 'Sustainability Improvers', etc. to denote that some assets might be transitioning and not fully sustainable already.
- There is a new fourth fund label called 'Sustainability Mixed Goals' for multi-asset/ blended strategy funds that do not fall within one of the existing three labels. These funds will have to provide disclosures against the criteria under all the labels they may fall under.
- There is no need for third party verification on what is "robust and evidence based" – firms can choose to get third parties involved or use internal verification.

Disclosures, naming and marketing:

- Funds that do not qualify for labels but want to use ESG-related terms in their names cannot use any variations of the terms 'sustainable' or 'impact' in their names.
- Firms are no longer required to disclose 'unexpected investments' in the simple consumer facing product-level disclosure, but they should disclose any material negative environmental and/or social impacts that may arise (or have arisen) in pursuing the sustainability objective.
- The FCA encourages firms to refer to standards by the ISSB, Sustainability Accounting Standards Board (SASB) and GRI as a starting point when deciding what information is - useful for investors.

Real economy

EU	**EC**	**European Commission sets out actions to accelerate the roll-out of electricity grids**, 28 November

The European Commission published its Grids Action Plan, aimed at ensuring the EU's electricity grids operate more efficiently and that improvements are rolled out further and faster. The Grids Action Plan addresses the main challenges associated with expanding, digitising and better using electricity transmission and distribution grids. The Action Plan includes the following actions:

- Accelerate the implementation of Projects of Common Interest (infrastructure projects that connect Member States' energy systems) and develop new projects through political steering, reinforced monitoring, further proposals, and guidance on investments and cross-border cost sharing.
- Improve the long-term planning of grids to accommodate more renewables and electrification demand, and secure grid supply chains by harmonising industry manufacturing requirements.
- Incentivise better use of grids with enhanced transparency and improved network tariffs.

- Increase access to finance for grid projects by increasing the visibility of funding opportunities.
- Provide guidance and technical support to ministries and permitting authorities to streamline permitting procedures for grid projects.

EU	**EC**	**European Commission adopts new proposal to promote intermodal transport for more sustainable freight**, 7 November

The European Commission (published a legislative proposal for the revision of the Combined Transport Directive. The proposed revision to the Directive aims to make freight transport more sustainable by increasing the competitiveness of intermodal transport operations. During intermodal transportation, goods are transported using a combination of transport methods (e.g., lorry, train, barge, ship or plan) via a closed unit, such as a container. The EC's proposal includes the following key provisions:

- Ensure that intermodal transport is free of authorisations and quotas, in line with unimodal transport.
- Require Member States to adopt a national policy framework 24 months after the Directive enters into force to facilitate the uptake of intermodal transport.
- Establish a transparency requirement for transport terminals processing intermodal goods to ensure potential customers can easily understand which services and facilities are available in each terminal.
- Establish a new EU-wide exemption for vehicles carrying out road legs of intermodal transport operations from weekend, holiday and night driving bans.
- Establish a target for Member States to reduce average door-to-door costs of combined transport operations by at least 10% by 2030.

The publication of the proposal completes the EU's Greening Freight Package. The proposal will now be scrutinised by the European Parliament and the EU Council before they start negotiations to determine the final text of the new legislation.

EU	**EC**	**European Commission proposes Forest Monitoring Law**, 22 November

The European Commission has published a proposal for the Forest Monitoring Law. The Law aims to fill existing information gaps on European forests and to create a comprehensive forest knowledge base. The proposal does not introduce new direct administrative requirements for businesses, forest owners and foresters but aims to improve data collection and monitoring of forest data to improve the knowledge base for efficient policymaking and implementation. The Law proposes a monitoring framework for Member States to:

- Enable the collection and sharing of timely and comparable forest data.
- Help create an integrated forest governance to encourage Member States to voluntarily develop long-term forest plans.

The Monitoring framework is also expected to create economic benefits for forest managers as it will support them to market their ecosystem services such, as carbon removals under the EU Carbon Removal Certification Framework.
The proposal is expected to support the implementation of other EU key legislation such as the Greenhouse Gas emissions and removals from land use, land use change and forestry (LULUCF) Regulation, Habitats and Birds Directives, Regulation on deforestation free products, and the Nature Restoration law once they are adopted by the co-legislators.

As a next step, the proposal will be examined by the European Parliament and European Council.

EU	**Council**	**EU approves farm sustainability data network to bolster food system sustainability**, 13 November

The European Council has officially approved the regulation on the Farm Sustainability Data Network (FSDN). The FSDN aims to enhance the sustainability of the EU's food systems and builds upon the existing Farm Accountancy Data Network (FADN) by integrating environmental and social data alongside economic data. The FSDN will play a crucial role in achieving the objectives of the Common Agricultural Policy and the European Green Deal. The FSDN will:

- Streamline data collection processes, reducing administrative burdens.
- Collect data for research and policy-making, focusing on monitoring and improving sustainability efforts.
- Provide more targeted and effective advisory services to farmers.
- Encourage voluntary participation of farmers in data collection, implementing measures to ensure the security and protection of their information.

The proposal has already been agreed by the Parliament. As a next step, the regulation is expected to be published in the Official Journal of the European Union.

EU	**Council**	European Council unveils negotiating stance on ambitious air quality directive revision: striking a balance for 2030, 9 November

The European Council has determined its negotiating position on the EC's legislative proposal to revise and combine the EU's two existing ambient Air Quality Directives into one Directive. The EC published its legislative proposal for the combined Directive in October 2022 to introduce new air quality standards for 2030, put the EU on a trajectory to achieving zero air pollution by 2050, and align EU air quality standards more closely with World Health Organization (WHO) guidelines. In its negotiating position, the Council agreed the following key points:

- Enable Member States to request a postponement to achieve the air quality limit values of up to 10 years if they have a lower national GDP per capita than EU average and modelling shows that they would not be able to comply with the air quality limits by the attainment date.
- Require the EC to review the air quality standards by 2030 to assess whether they need to be updated based on latest scientific information.
- Enable Member States to identify and notify the EC of exceedances of air quality limits that can be attributed to transboundary sources, which are outside of the Member State's control.
- Require Member States to establish effective, proportionate, and dissuasive penalties for those who infringe the adopted measures. Penalties would take into consideration the severity and duration of the infringement.

The European Council is now ready to start negotiating the final text of the Directive with the European Parliament, alongside the European Commission.

EU	**Council**	European Council approves overhaul of fisheries control system for enhanced compliance and sustainability, 13 November

The European Council has formally approved the revision of the EU fisheries control system. The Council published a proposal to revise the regulation in 2018 to streamline it and ensure full compliance with the reformed Common Fisheries Policy (CFP). The regulation's ultimate text will incorporate the following provisions:

- The margin of tolerance (the difference between the estimate of fish caught and the actual result of the weighing) will be kept at 10% per species, with certain exemptions. For species not exceeding 100 kg, the margin will be 20% per species.
- All fishing vessels will be tracked via vessel monitoring systems and all catches must be recorded via electronic means.
- Recreational fishers (except for certain artisanal coastal fishing vessels less than nine meters in length) must record and report the catches via an electronic system.
- Member States must ensure that perpetrators of serious infringements of CFP rules are subject to effective, proportionate, and dissuasive sanctions.
- The EC will publish a study on the available tools to trace fresh fishery and aquaculture products.

The regulation will now shortly be published in the EU Official Journal.

EU	**Council**	**European Council adopts position on the Right to Repair Directive**, 22 November

The European Council has adopted its position on the Right to Repair Directive. The Council proposed the Directive in March 2023. It aims to remove obstacles such as lack of transparency to repair conditions and prices, difficult access to repair services that discourage consumers from seeking repair and extend a product's life. In its position, the Council supports the general objectives stated in the European Commission's legislative proposal, but has suggested the following changes:

- That only those manufacturers who have a legal obligation to repair will have to provide the standardised EU repair form upon request. For all other repairers, the provision of the form remains voluntary.
- A single European online repair platform instead of 27 national platforms to be hosted by Member States as originally proposed by the Proposal.
- Extend the transposition period by six months, giving Member States 30 months to bring national laws into force.

The Council and the European Parliament will now discuss the final shape of the law.

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EU	**EP**	**European Parliament publishes position on Euro 7 emissions standards**, 9 November

The European Parliament has agreed its negotiating position on the new Euro 7 Regulation. The EC proposed the new Regulation in November 2022 to update current limits for exhaust emissions (e.g., nitrogen oxides, particulate matter, carbon monoxide, and ammonia) for passenger cars, vans, buses, and trucks. The Regulation will also introduce new measures to reduce emissions from tyre and brake wear and increase the durability of electric vehicle batteries. In its negotiating position, the Parliament agreed on the following:

- Maintain the pollutant emission levels proposed by the EC for passenger cars.
- Propose an additional breakdown of pollutant emissions into three categories for light commercial vehicles based on their weight.
- Propose stricter limits on exhaust emissions measured in a laboratory and in real driving conditions for buses and heavy-duty vehicles.
- Align the EU's calculation methodologies and limits for particle emissions produced from break wear and tyre abrasion rates with international standards currently being developed by the UN Economic Commission for Europe.

The Parliament is now ready for upcoming trilogues with the European Council and European Commission to determine the final text of the Regulation.

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EU	**EP**	**European Parliament adopts position on EU certification scheme for Carbon removals**, 21 November

The European Parliament has adopted its negotiating position on the Regulation for a Union certification framework for carbon removals. The EC proposed the regulation in November 2022 to establish the EU's first set of uniform rules on how carbon removal activities can be verified and certified across the EU. In its position, the Parliament agreed on several key changes to the European Commission's proposed legislation text, including:

- Amend the definition of carbon removal practices to distinguish the different types of practices, including the restoration of forests and technologies capturing and storing carbon from the atmosphere.
- A definition of "carbon farming" was expanded to incorporate reduced emission activities.
- Expand the scope of the regulation so that it applies to carbon dioxide captured in the EU and stored in another country (within the European Economic Area or another bordering country that applies the same carbon transportation and injection rules).
- Require the European Commission to adopt Delegated Acts to design the certification methodology and to publish a guidance document within six months of the regulation entering into force.
- Create new rules on the issuing and use of carbon farming sequestration and emission reduction units.

Since the European Council adopted its position on the proposed regulation earlier in November, the Parliament and the Council are now ready to start negotiating the final text of the regulation. Currently, no official trilogue dates have been announced.

EU	**EP**	**European Parliament adopts position on the Net Zero Industry Act**, 21 November

The Parliament has adopted its negotiating position on the Net Zero Industry Act (NZIA). The NZIA was proposed by the European Commission in March 2023 as part of its Green Deal Industrial Plan (GDIP). The GDIP aims to enhance the competitiveness of the EU's net zero industry and accelerate the transition to climate neutrality by 2050. In its adopted position, the Parliament agreed on the following key changes to the European Commission's proposed text:

- Broaden the scope of the regulation by expanding the list of net zero technologies to include all components, materials, machinery and final net zero products. The rules would therefore aim to innovate and scale up both the manufacturing capacity of net zero technologies and also the components, materials and machinery along the supply chains of net zero technologies.
- Enable Member States to decide which net zero technologies they view as strategic.
- Expedite the permitting process, with the authorisation timeline set at nine to 12 months for regular net zero projects and six to nine months for strategic projects.
- Require the European Commission to coordinate existing sources of public funding available for net zero technologies by the end of 2024, and for the Net Zero Europe Platform to assess whether sufficient public funding is available.
- Encourage Member States to spend at least 25% of their revenue from Emission Trading System allowances on the rollout of net zero technologies.
- Require all entities selling crude oil, petroleum products or natural gas in the EU to permanently store carbon dioxide. The European Commission would estimate an individual contribution for each entity, calculated pro-rata on the basis of each entity's share in crude oil, petroleum products and natural gas sold in the EU.

With the European Council adopting its position on 7 December, trilogue negotiations can now start.

EU	**EP**	**European Parliament adopts position on proposal to set CO2 standards for heavy duty vehicles**, 21 November

The European Parliament adopted its negotiating position on the Regulation strengthening the CO2 emission performance targets for new heavy-duty vehicles. The European Commission proposed the Regulation in February 2023 to set CO2 standards for heavy-duty vehicles (trucks, city buses and long-distance buses) from 2030 onwards. The European Parliament agreed for its negotiating mandate to include the following:

- Set stronger CO2 emission reduction targets for medium- and heavy-trucks, including vocational vehicles (e.g., garbage trucks, tippers or concrete mixers) and buses. The reduction targets would be set at 45% for the period 2030 to 2034, 65% for 2035 to 2039, and 90% from 2040.
- Enable only zero emission urban buses to be registered from 2030. Urban buses fuelled by biomethane may be temporarily included in new registrations until 2035.
- Require the European Commission to assess the possibility of developing a methodology for reporting the full lifecycle of CO2 emissions for new heavy-duty vehicles by the end of 2026.

The European Parliament is now set to start trilogue negotiations with the European Council to determine the final text of the Regulation.

EU	**EP**	**European Parliament adopts position on the Regulation on Packaging and Packaging Waste**, 22 November

The European Parliament has adopted its negotiating position on the EU Regulation on packaging and packaging waste. The Regulation aims to consolidate the different rules for packaging and packaging waste in EU countries. It aims to ensure that there is a clear pathway and sufficient capacity for all packaging waste in the EU market to be recycled at scale by 2030. It also prevents the generation of packaging waste by reducing it in quantity and promoting reuse and refill. The European Parliament's position includes the following:

- Set specific targets to reduce plastic packaging by 10% by 2030, 15% by 2035, and 20% by 2040.
- Ban the sale of lightweight plastic carrier bags (below 15 microns), unless they are required to be provided for hygiene reasons, such as for primary food packaging.
- Restrict the use of certain single use packaging formats, such as hotel miniature packaging for toiletry products and shrink wrap for suitcases in airports.
- Ban the use of 'forever chemicals' (per-and polyfluorinated alkyl substances, or PFAS, that break down slowly and bioaccumulate) and Bisphenol A in food contact packaging.

Once the European Council adopts its position, trilogue negotiations will begin.

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EU	**EP, Council**	European Parliament and Council agree on EU waste shipments regulation for environmental protection, 17 November

The European Parliament and the European Council have reached a provisional agreement on the EU Waste Shipments Regulation. The Regulation strengthens rules for the export of waste outside the EU and introduces new rules for waste shipments within the EU.

For exports of waste outside the EU, the Regulation will:

- Allow the export of non-hazardous wastes and mixtures for recovery only to non-OECD (Organisation for Economic Cooperation and Development) countries that consent to being recipient of the shipments.
- Mandate independent audits of non-OECD waste management facilities to ensure environmentally friendly waste handling, permitting waste exporters to send waste only to facilities meeting these standards. The European Commission will draw up a list of such recipient countries which will be updated every two years.
- Prohibit the export of plastic waste to non-OECD countries within two and a half years after the regulation enters into force.
- Apply stricter conditions to the export of plastic waste to non-OECD countries.

For waste shipments inside the EU, the Regulation will:

- Prohibit shipments destined for disposal in another EU country and allow such shipments only in exceptional cases.
- Impose strict conditions for waste shipments destined for recovery of materials from waste (the 'green-listed waste').
- Introduce a digitalised central electronic hub to improve the exchange of information and data on waste shipments.

As a next step, Parliament and the Council will formally approve the agreement, before it enters into force.

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EU	**EP, Council**	European Parliament and Council reach accord on ambitious nature restoration law, 9 November

The European Parliament and the European Council provisionally agreed on the final text of the new Nature Restoration Law, marking the end of trilogue negotiations. The European Commission proposed the Regulation in June 2022 to protect, restore and preserve nature in the EU. The Parliament and the Council agreed on the following requirements for Member States:

- Establish and implement measures to restore at least 20% of the EU's land and sea areas by 2030.
- By 2024, restore at least 60% of habitats categorised as 'poor condition' listed Annexes I and II of the Regulation, increasing restoration to at least 90% by 2050.
- Reverse the decline of pollinator populations by 2030 and monitor progress every six years after 2030.
- Put in place ecosystem-specific measures (e.g., for agricultural ecosystems, forest ecosystems, urban environments, and rivers). This includes planting at least three billion extra trees by 2030 at the EU level, and identifying and removing man-made barriers that limit the connectivity of surface waters by 2030.

- Require Member States to submit a national restoration plan that outlines how they will deliver these targets, including monitoring and reporting progress.

As a next step, the Parliament and the Council must formally approve the final text. Once approved, it will be published in the EU Official Journal.

EU	**EP, Council**	**European Parliament and Council reach agreement on critical raw materials act: strengthened provisions and expanded scope**, 13 November

The European Parliament and the European Council have reached a provisional political agreement on the Critical Raw Materials Act. The Act aims to diversify and enhance the resilience of EU critical raw material supply chains, while improving the EU capacity to mitigate risks of supply disruptions and enhancing circularity of these materials. The agreement keeps the overall objectives of the original proposal but strengthens several elements. Updates following the political agreement include:

- Addition of aluminium as a critical raw material.
- Addition of synthetic graphite as a strategic raw material for the first three years after the Act enters into force, until the European Commission conducts the first revision of the list.
- Increase of the benchmark for recycling critical raw materials to at least 25% of EU's annual consumption of those materials.

As a next step, the provisional agreement reached will need to be formally adopted by the Parliament and the Council before entering into force.

EU	**EP, Council**	**European Parliament and Council reach provisional political agreement on common rules for internal markets in renewable and natural gases and in hydrogen**, 28 November

The European Parliament and the European Council reached a provisional political agreement on the Directive on Common Rules for the Internal Markets in Renewable and Natural Gases and in Hydrogen. The Directive aims to enable the uptake of renewable gases and low-carbon gases into the EU's energy system. The Parliament and the Council agreed on the following amendments.

The agreement requires Member States to do the following:

- Ensure that customers are granted the right to switch suppliers so that they are protected from impacts relating to the future decommissioning of the gas network.
- Should ensure that network development plans for hydrogen, electricity and natural gas are built on sector integration, and prioritise the efficient use of energy and the use of hydrogen in hard-to-decarbonise sectors.

In addition, Member States will have the power to decide how vulnerable customers will be supported and protected from gas network disconnections.

The new rules now need to be formally agreed by the Parliament and Council before they enter into force.

EU	**EP, Council**	**European Parliament and Council reach provisional political agreement on rules to reduce industrial emissions**, 29 November

The European Parliament and European Council reached an informal agreement of the final text of the revision of the Industrial Emissions Directive. The legislative proposal for the amended Directive was published by the European Commission in April 2022 to better address air, water and soil pollution from large agro-industrial installations. The agreement requires Member States to do the following:

- Ensure that operators of mines, large-scale battery producers and pig farmers with over 350 livestock units operate in accordance with emission limit values set by Commission's original proposal (including for energy, water, and material efficiency and reuse).

- Impose penalties on non-complying companies. Penalties can equate to at least three percent of a company's annual EU turnover.
- Give affected parties the right to claim compensation for adverse health issues linked to pollution by operators.
- Enable public access to environmental information by making permit summaries available online via the EU Industrial Emissions Portals.
- Provide more opportunities for the public to participate in the setting and reviewing of permits.

The Parliament and Council must now formally adopt the final text, before it is published in the EU Official Journal.

EU	**EP, Council**	European Parliament and Council reach informal agreement on methane emissions reduction regulation, 15 November

The European Parliament and the European Council informally agreed on the final text of the Regulation on Methane Emissions Reduction. The Regulation was proposed by the European Commission in December 2021 to track and reduce methane emissions in the energy sector. It introduces new requirements for the oil, gas and coal sectors to avoid methane emissions and to measure, report and verify them. The final text of the Regulation includes the following key points:

- Operators must submit reports to competent authorities that contain their source-level methane emissions (18 months of the regulation entering force).
- Mine operators need to submit reports to competent authorities that contain yearly source-level methane emissions data (12 months of the regulation entering force) for operating mines. Mine operators must also monitor plugged and abandoned mines.
- Operators must adopt a risk-based approach when detecting leaks and repair or replace the relevant components (aboveground, underground, below sea level and below seabed) immediately after a leak is detected.
- Competent authorities need to carry out periodic inspections to ensure operators' compliance with the requirements. Authorities will have legal powers to impose penalties from 2027 if the provisions are not respected.

The initial agreement on the final text of the Regulation must now be formally approved by the Parliament and the Council. If approved, the Regulation can then be published in the EU Official Journal.

EU	**EP, Council**	Provisional agreement reached to strengthen investigation and prosecution of environmental crimes in the EU, 16 November

The European Parliament and the European Council have reached provisional agreement on the Environmental Crime Directive, which aims to strengthen the investigation and prosecution of environmental crimes. The revised Directive was proposed by the European Commission on 15 December 2021 to provide a more precise definition of environmental crime and harmonise penalties for both natural and legal persons across all Member States. The Parliament and the Council agreed that the revised Directive should include the following provisions:

- A 'qualified offense' clause, categorising intentional offenses causing destruction or irreversible, widespread, and substantial damage as qualified offenses.
- Financial penalties for legal persons committing offenses, amounting to at least three to five percent of their total worldwide turnover, with the possibility of additional measures. For natural persons, penalties will range from a minimum prison term of five years to at least ten years for intentional offenses causing death.
- A requirement for Member States to train and fund authorities tasked with detecting and prosecuting environmental crimes.
- Measures to support whistle-blowers and individuals affected by environmental crimes.

Both institutions must now formally adopt the agreed text before it can enter into force.

EU	**EC**	**European Commission prolongs energy emergency measures by 12 months**, 13 November

The European Commission has proposed an extension of the emergency measures introduced in 2022 in response to the energy crisis. If agreed, the measures will extend beyond their scheduled expiry dates for another 12 months. Although the European energy market is more secure than it was last year, the Commission's proposal will further enhance the security of the EU's gas supply and strengthen market resilience. The Commission has proposed to extend the following measures:

- Gas-solidarity measures, which are due to expire on 30 December 2023. The rules establish the legal basis for demand aggregation and joint gas purchasing system under 'AggregateEU'. The latter organises Europe's natural gas purchases by combining demands, aiming to stabilise prices and make them more predictable using energy supply information.
- Market Correction Mechanism, which is due to expire on 1 February 2024. The mechanism was introduced in response to high prices in 2022, with the aim of preventing excessive costs for the EU by setting limits on gas prices. Since the market continues to remain fragile and volatile, the Commission considers a one-year extension as an additional safeguard.
- Rules related to permit-granting for renewable energy products, which are due to expire on 30 June 2024. The emergency measures are aimed at accelerating the permit-granting procedures for renewable energy products, and for grid and infrastructure projects that are required to integrate renewable energy into the electricity system.

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EU	**EC**	**EU announces nuclear industrial alliance to drive sustainable energy transition**, 8 November

During a speech at the European Nuclear Energy Forum, EU Energy Commissioner Kadri Simson revealed that the European Commission will undertake preparatory work to launch the Nuclear Industrial Alliance in December. The Industrial Alliance aims to ensure the security of power supply and promote affordability,reduce dependence on Russian fossil fuels, advance in securing contracts for alternative nuclear fuel, and limit GHG emissions.

Key messages from the speech include:

- Nuclear technologies will play a significant role in the EU's energy transition until 2050 and beyond.
- Substantial investments (estimated between 350-450 billion euros by 2050) are earmarked by the European Commission for new nuclear capacities, with defined criteria to ensure the sustainability of investments. The criteria are likely to cover factors such as environmental impact, safety, and long-term viability.

A European partnership for Small Modular Reactors (SMRs) is being established by the European Commission to promote advanced nuclear technologies.

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UK	**UK Gov**	**UK government outlines 2023 priorities for CMA**, 23 November

The UK government has published its 2023 strategic steer for the Competition and Markets Authority (CMA). The CMA is the UK's independent competition authority and aims to ensure markets are competitive and operate in the interests of both individuals and businesses and the wider economy. Outlined in the strategic steer, the UK government expects the CMA to focus and prioritise its finite resources on several key areas, including to boost sustainable growth and productivity. As part of this, the CMA is expected to do the following:

- Promote and develop competition in the growing market for sustainable products and services.
- Protect consumer trust and confidence in the markets for sustainable products and services. This includes protecting consumers from misleading environmental claims in this rapidly growing sector.

The CMA will shortly respond to the UK government's expectations with recommendations. The UK government expects to adopt these recommendations and in turn also expects other bodies and regulators to do the same.

With the upcoming EU legislative proposals on greenwashing, this development in the UK provides an additional point of reference on this topic.

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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.

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