ESG NEWS MONITORING, SOVEREIGN AND REGULATION

ESG Analysis Team

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The Monthly ESG Newsletter compiles the most significant ESG news from around the globe over the past month, covering issuers, sovereigns, and ESG regulations. We aim to keep you informed and engaged with the latest developments in the ESG landscape. If there are specific ESG topics you would like us to delve into further, please let us know.

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ESG NEWS MONITORING

Caisse de dépôt et placement du Québec (Banks | CA)

La Caisse sets $400Bn climate investment target by 2030 following strong decarbonization gains

Caisse de dépôt et placement du Québec (La Caisse) has unveiled a bold **2025–2030 climate strategy targeting $400 billion** in **climate action investments** by the **end of the decade**. The announcement follows **La Caisse's outperformance** of its **previous climate goals**, achieving a **nearly 50% reduction in its portfolio's carbon footprint by 2024**—while global emissions rose by 6%. The fund will **invest** in **businesses** across **all sectors that integrate climate goals** into their **operating models** and **demonstrate credible, actionable plans** to reduce emissions. The fund also **aims** to **scale future-oriented climate** solutions like low-carbon assets, nature-based solutions, adaptation and resilience solutions and climate solution enablers. The initiative aligns with La Caisse's **broader goal of achieving a net-zero portfolio** by **2050**, leveraging capital to deliver long-term value and manage risk while accelerating the global energy transition.

Source: **ESG News**

ESG Reference: Andres Gallego Reyes

Takeda Pharmaceutical (Pharmaceuticals | US)

US Court upholds $7Bn class action certification against Takeda Pharmaceutical and Eli Lilly over alleged concealment of health risks linked to diabetes drug

The US Ninth Circuit Court of Appeals has **upheld** the civil Racketeer Influenced and Corrupt Organizations **class action** against **Takeda Pharmaceutical** and **Eli Lilly** to proceed, following **claims** that the **companies deliberately hid** the **cancer risks** of the **diabetes drug** Actos to **drive sales** for over a **decade**, with **damages** potentially amounting to **USD 7 billion**. The companies allegedly **exposed millions** of **consumers** to the **medication without proper disclosure** of its **health risks**.

Source: **Associated Press**

ESG Reference: Xhois Hatibi

Munich Re (Multi-line Insurance & Brokerage | DE)

Munich Re Exits Major Net Zero Coalitions

Munich Re, one of the world's largest reinsurers, has announced its withdrawal from several major **climate-focused coalitions**, including the **Net Zero Asset Owner Alliance (NZAOA)**, **Net Zero Asset Managers Initiative (NZAM)**, **Climate Action 100+**, and the **Institutional Investors Group on Climate Change (IIGCC)**. The company cited increasing **legal and regulatory uncertainty** and the growing complexity of **climate-related disclosures** as key reasons for its exit. Despite stepping back from these alliances, Munich Re reaffirmed its commitment to **climate protection**, stating it will continue to pursue its **net-zero goals** independently and more efficiently. The move reflects broader tensions in the global **ESG landscape**, particularly amid rising political pushback against **sustainability initiatives** in the U.S. Munich Re emphasized that it has already met or exceeded its **2025 climate targets**, including a 29% reduction in **GHG emissions** from its investment portfolio, and plans to introduce new **climate goals** later this year.

Source: ESG Today

ESG Reference: Xhois Hatibi

Boeing (Aerospace & Defense | US)

Air India crash is the latest test for new Boeing leadership

Boeing's **stock** experienced a notable **decline** following the **crash** of a **Boeing aircraft in India**, which resulted in **multiple fatalities**. The incident has intensified **scrutiny** of **Boeing's safety record**, already **under pressure** from **past accidents** and **technical issues**. While investigations into the cause of the crash are ongoing, the event has **reignited concerns** among **investors** and **regulators** about the **reliability** of **Boeing's aircraft**, particularly in **international markets**. The company has yet to **issue** a **detailed statement**, but the market reaction **reflects growing unease** over **potential reputational** and **financial repercussions**.

Source: **Reuters**

ESG Reference: Lorenzo Angeletti

McDonald's (Restaurants | US)

McDonald's settles Byron Allen's $10 billion lawsuit over ads for Black-owned media

McDonald's has reached a **settlement** in a **$10 billion lawsuit** brought by media entrepreneur **Byron Allen**, who accused the fast-food giant of **racial stereotyping** by largely **excluding Black-owned media** from its **advertising budget**. The lawsuit, filed by Allen's companies **Entertainment Studios Networks** and the **Weather Group**, was set to go to trial on July 15 in Los Angeles federal court. The **settlement terms** remain **confidential**, but McDonald's has agreed to **purchase advertising** from **Allen's companies** at **market value** in a way that aligns with its **broader advertising goals**. While McDonald's **denied** any **wrongdoing**, Allen's companies acknowledged the **company's commitment** to **investing** in **Black-owned media** and said their differences are now **resolved**.

Source: Reuters
ESG Reference: Xhois Hatibi

TotalEnergies (Integrated Oil & Gas | FR)

TotalEnergies promotion of natural gas under fire in greenwashing trial

TotalEnergies is facing a **landmark greenwashing trial** in **France**, accused by environmental groups of **misleading consumers** about its **climate commitments.** The case, brought by Greenpeace, Notre Affaire à Tous, and Friends of the Earth, centers on the **company's 2021 rebranding campaign**, which **promoted natural gas** as a **transition fuel** and portrayed **TotalEnergies** as a **major player in the energy transition**. The plaintiffs argue that this messaging was deceptive, especially given the **company's continued expansion of fossil fuel production**.
The environmental groups claim that 44 communications, including ads and social media posts, falsely suggested that **TotalEnergies was aligned with carbon neutrality goals** while still heavily **investing in oil and gas**. They particularly criticized the **portrayal of natural gas as the "least polluting" fossil fue**l, citing **methane's potent short-term warming effect.** In its defense, TotalEnergies argued that many of the communications were **not consumer-facing** and were intended to **explain** the **company's transformation** and **increased renewable energy production**. The company's lawyer **denied accusations of greenwashing**, stating that TotalEnergies **never claimed fossil fuels were good** for the **climate** and emphasized that **natural gas is widely recognized as a transitional fuel**. TotalEnergies has committed to generating **100 terawatt-hours of renewable electricity** by **2030**, equivalent to 20% of its hydrocarbon output, while continuing to **grow fossil fuel production** by about **3% annually**. The company also highlighted data showing that **liquefied natural gas** (LNG) has a significantly **lower warming potential** than **coal** over a century. The plaintiffs are seeking **changes** to **TotalEnergies' promotional materials** to reflect its **ongoing fossil fuel investments**. The court is expected to **deliver** its **judgment** on **October 23**.
Source: Financial Times
ESG Reference: Francesca Albino/ Gian Marco Marchetti

GENAM EXTERNAL RECOGNITION

Veolia Environment (Utilities | FR)

Productive cooperation between the Net Zero Engagement Initiative and Veolia regarding Veolia's climate plan

Since February 2023, **investor signatories** of the **Net Zero Engagement Initiative** (NZEI) have been **working** with **Veolia Environment** S.A to **strengthen** its **climate action plan**, which was later **approved** in July 2024 by the **Science Based Targets initiative** (SBTi) and rated "**Advanced**" by **Moody's**.
The **engagement group** of **seven investors** worked closely with **Veolia** in support of a shared goal: a **climate action plan aligned** to the **growth objectives** of Veolia's "Green Up" **strategic program**, with the potential of contributing to global efforts to **reduce greenhouse emissions** while also **improving risk adjusted returns** for investors. The group was led by **Francois Humbert**, Engagement Lead Manager at **Generali Asset Management**, and included **ERAFP**, **Allianz Global Investors**, **EOS** at Federated Hermes Limited, **Phoenix Group**, and the **Pension Protection Fund**.
NZEI signatories met with senior leaders at Veolia in a series of **meetings** and **workshops**, sharing resources to outline **investor expectations** of a **company transition plan**, including:

- A pedagogical explanation and breakdown for each business
- Emissions trajectory and contributing levers
- Disclosures on coal in Central and Eastern Europe (CEE) and China
- Related climate governance

The plan, published in February 2024, includes targets for a **50% reduction in scope 1 and 2 emissions** by **2032** and a **30% reduction in scope 3 emissions** by the same year, compared to 2021 levels, signalling an important step towards **Veolia's 2050 net zero commitment**. The climate action plan also includes details on the **organisation's governance practices, risk management policy**, and **performance indicators**, meeting requirements from the **Task Force on Climate-related Financial Disclosures** (TCFD). Veolia invested **€650 million in its climate strategy** between 2018 and 2024 and has **pledged** a further **€950 million by 2030.**
Francois Humbert, **Engagement Lead Manager** at **Generali Asset Management**, as lead of the engagement group.
Source: Veolia
ESG Reference: François Humbert

SOVEREIGN

EU

1. Towards flexibilities in the EU's 2040 climate target

The **European Commission** is preparing a draft amendment to the **European Climate Law** that would **set** a **2040 emissions reduction target of 90% below 1990 levels**. A key feature of the proposal is the **introduction** of **international carbon credit**s, allowing EU countries or companies to **fund emissions-reducing projects** in **other countries**—typically in the Global South—and **count** those **reductions** toward their **own climate goals**. This marks a shift from the EU's current framework, which requires all emissions cuts to be achieved domestically. The draft, which is still **under internal debate**, is expected to be **published** on **July 2**. It reportedly **includes** a **cap** on the **use of carbon credits**, limiting them to 3 **percentage points of the overall target**. This figure **aligns** with a **compromise** reached in **Germany's coalition agreement** and has been echoed in discussions between **EU Climate Commissioner** Wopke Hoekstra and several member states. However, **France** and **other countries** argue that the **cap** should be **higher**, viewing **carbon credits** as a **necessary flexibility** to ease the **burden** on **domestic industries** and to **compensate** for the **declining carbon absorption** capacity of **European forests**.
Source: **POLITICO**

2. EFRAG targets 50% cut in ESRS reporting burden in progress update to EU Commission
EFRAG has released a **progress report** detailing its **strategy** to significantly **simplify** the **European Sustainability Reporting Standards** (ESRS), aiming to **reduce** the **mandatory reporting datapoints** for companies by **more than 50**%. The update, published on June 20, responds to a May 5 **request** by Commissioner Mairead McGuinness's successor, Commissioner Albuquerque, for **clarity** on how **simplification goals would be met**. The simplification effort comes in response to the **European Commission's broader Omnibus I package**, released in February 2025, which proposes **major changes to the Corporate Sustainability Reporting Directive** (CSRD), **Corporate Sustainability Due Diligence Directive** (CSDDD), and other regulations in order to **reduce compliance burdens**. EFRAG outlined **six main levers** to achieve its goal:

1. Simplifying the **Double Materiality Assessment**
2. Improving **readability** and **integration** of **sustainability statements**
3. Revising the **link between Minimum Disclosure Requirements** and **topical standards**
4. Enhancing **understandability**, **clarity**, and **accessibility**
5. Implementing **additional burden-reduction measures**
6. Boosting **interoperability** with **IFRS sustainability standards**

EFRAG said many **narrative datapoints** are **unnecessarily granular** and could be either **deleted** or **moved** to **non-binding guidance**. **Simplification** will focus on **eliminating non-essential datapoints** and making **narrative sections** on **policies, actions,** and **targets less complex**. **Final technical advice** will be submitted to the Commission by the **October 31 deadline**—though EFRAG has expressed openness to an **extension to ensure quality**.
Source: **EFRAG**

3. EU requires €241bn in nuclear investment to meet 2050 decarbonization goals
The **European Commission** has projected a **need** for **€241 billion** in **nuclear investments** by **2050** to deliver on EU Member States' **nuclear energy plans** and achieve **long-term energy decarbonization goals**. This estimate, published in the Commission's eighth nuclear illustrative programme (PINC), outlines the **EU's strategy** for balancing **industrial competitiveness**, **energy security,** and **climate commitments** under the **REPowerEU Plan** and **Clean Industrial Deal**. Of the total €241 billion: **€205 billion is earmarked for new large-scale reactor construction** and **€36 billion for lifetime extensions of existing reactors**. The Commission notes that **additional long-term capital** will be required for **next-generation technologies**, such as **Small Modular Reactors** (SMRs), **Advanced Modular Reactors** (AMRs), **microreactors**, and eventually, **fusion energy.** Currently, **nuclear power contributes** approximately **23% of EU electricity**, but with a mixed outlook across member states—some phasing out nuclear while others are expanding. The EU anticipates nuclear capacity rising **from 98 GW** today to **109 GW by 2050**, or up to **144 GW** in an **optimistic** delivery **scenario**. With more than 90% of electricity projected to come from decarbonized sources by 2040, **nuclear** will continue to **serve as a critical complement to renewables** in the **EU's evolving energy mix**.
Source: **ESG News**

4. EU to subsidise high volume of greener aviation fuel to boost airline demand
The European Union has **launched** a **major subsidy initiative** to accelerate the **adoption** of **sustainable aviation fuels** (SAF) by **airlines**. It plans to support the **purchase of over 200 million litres of SAF**, which represents about **15% of global SAF production**, based on 2023 figures from IATA. The funding will come from the **sale of 20 million carbon emissions permits,** helping **airlines bridge the cost gap** between conventional kerosene and more expensive SAF on intra-European flights. The **subsidies** could **cover up to 216 million litres of e-fuels**—synthetic fuels made using captured CO_2—or **up to 2.6 billion litres of biofuels**. The EU will offer up to **€6 per litre for e-fuels** and **€0.5 per litre for biofuels.** This move is crucial as **aviation** remains one of the **hardest sectors to decarbonize**, with zero-emission aircraft not expected this decade. Currently, **SAF accounts for just 0.3% of global jet fuel supply** and **costs three to five times more** than traditional jet fuel. Despite EU **mandates** requiring **2% SAF** at EU airports by **2025** and **6% by 2030**, airlines have expressed **concerns** about **meeting these targets** due to **high costs** and **limited supply**. A report by Boston Consulting Group highlighted that **airlines** are **investing only 1–3% of their revenue** or budgets in **SAF**.

Compounding the pressure, the **EU is phasing** out **free carbon permits for airlines**, which previously helped offset emissions costs, to push for **faster decarbonization**.
Source: **Reuters**

5. EU warned by advisers not to weaken new climate goal
The **European Union's independent climate advisers** have issued a **strong warning against weakening the bloc's proposed 2040 climate target**, which aims to cut greenhouse gas emissions by 90% from 1990 levels. As the European Commission prepares to formalize this target in July, it is considering options to **ease** the **burden** on **domestic industries**, including allowing the **use** of **international carbon credits**. However, the **European Scientific Advisory Board on Climate Change** (ESABCC) cautioned that **relying** on such **credits** could **divert investment away from essential domestic infrastructure** and **industrial transformation**. The ESABCC emphasized that **using international credits**—such as funding forest restoration abroad—might **undermine** the **EU's economic** and **environmental goals** by **reducing incentives to decarbonize within Europe**. While these credits can support emissions reductions in developing countries, the **EU** has previously **banned** them from its **carbon market** due to **concerns** over their **environmental integrity** and **market impacts.** Despite economic and geopolitical challenges, the **ESABCC reaffirmed its 2023 recommendation** for a **90–95% emissions cut by 2040**, arguing that this level of ambition is both **feasible** and **necessary** to meet **global climate goals**. Achieving it would require a **near-zero-emissions power sector** and **widespread electrification** of **heavy industry**. The advisers also highlighted the broader benefits of this transition, including **improved public health**, **industrial modernization**, and **enhanced energy security** through reduced dependence on fossil fuel imports.
Source: **Reuters**

US

1. The US is losing the electrification race to Asia
A new report by **clean energy think tank Ember** reveals that the **United States** is **falling behind developing Asian nations** in the **race** to **electrify** their **economies**. Countries like **Vietnam**, **Bangladesh**, and **Indonesia** are rapidly **increasing** the **share** of **electricity** in their **energy mix,** while the **U.S.** and **Europe** have largely **stagnated** since **2000**. **China**, by contrast, has **doubled electricity's share** of its **primary energy use to nearly 25%. Electrification** is seen as a **key driver of economic growth**, not only by **improving energy efficiency** but also by **expanding industries** such as **electric vehicle manufacturing** and **heat pump installa**tion. However, the U**.S. risks falling** further **behind** if **proposed Senate legislation** is **enacted** that would **impose new excise taxes** on **wind and solar projects** using **components** from **China** and **accelerate** the **phaseout of clean energy tax credits**. These proposed changes, part of a broader tax and spending bill aimed at offsetting President Trump's tax cuts, have **alarmed** the **renewable energy sector**. Industry experts warn that the **excise tax**—targeting projects with Chinese components—**could raise costs by 10–20% and deter investment**. Given China's dominance in the solar supply chain, the **tax could severely limit access to essential equipment like wafers**. The bill would also require **wind** and **solar projects** to be **operational by the end of 2027** to **qualify for incentives**, a timeline many in the industry consider unrealistic. The **American Clean Power Association** estimates the **tax** could **cost** U**.S. clean energy companies $4–7 billion over the next decade** and significantly **slow deployment**. Critics argue that these measures would not only **undermine the U.S. clean energy transition** but also **increase household energy bills** and **sacrifice job growth**. Some **Republican senators are working to amend the bill** to **soften** the **tax credit phaseout** and **remove the excise tax**, but the **outcome remains uncertain**.
Meanwhile, **Asian countries**—many of which are fossil fuel importers—are **accelerating electrification** out of economic necessity. They are also **investing** in **domestic manufacturing** of **grid infrastructure**, such as **transformers** and **cables**, to **meet rising power demand**, particularly from **AI-driven data centers**.
Source: **Bloomberg**

2. SEC drops proposed anti-greenwashing fund disclosure rules
The U.S. Securities and Exchange Commission (SEC) has **withdrawn** a **proposed** rule that would **have required investment managers** to **disclose** detailed **information** about **ESG-focused funds.** Originally introduced under former Chair Gary Gensler, the rule aimed to **provide consistent**, **comparable data** to help investors **evaluate ESG claims** and **reduce greenwashing risks**. The rule would have mandated **standardized disclosures** in **fund registration statements**, **annual reports**, and **adviser brochures**. It also **proposed requiring ESG-focused funds** to report **greenhouse gas (GHG) emissions metrics** and **present ESG strategy information** in a tabular format for easier comparison.
This withdrawal is part of a **broader shift away** from **Gensler's climate and ESG agenda** following his resignation after President Trump's inauguration. Other recent reversals include **dropping rules** on **shareholder proposal exclusions** and **ending** the **legal defense** of the **SEC's climate disclosure rules**. While the SEC has not commented on this latest move, critics argue it could weaken investor protections and transparency in ESG investing.
Source: **ESG Today**

3. Energy Department slashes $3.7Bn in funding for clean energy projects
The **U.S. Department of Energy** (DOE) under the Trump administration has **canceled $3.7 billion** in **funding** for 24 **clean energy** and **carbon reduction projects** approved during the final weeks of the Biden administration. Among the

canceled projects are **ExxonMobil's hydrogen facility** in Texas, **Eastman Chemical's plastic recycling plant**, and **several carbon capture and clean fuel initiatives** across the country. The DOE justified the **cancellations** by stating the **projects** were **not economically viable**, **lacked sufficient financial review**, and would **not deliver a strong return** on taxpayer investment. The decision follows a **new DOE policy** aimed at **ensuring financial responsibility** and **national energy security**. The move has drawn **sharp criticism** from **environmental groups**, **industry coalitions**, and **clean tech advocates**. The **Carbon Capture Coalition** called it a **major setback** for **carbon management technologies**, while the **Clean Air Task Force** warned it **undermines U.S. competitiveness** in the **global clean energy market**. Critics argue the **cancellations contradict** the **administration's stated goals** of **revitalizing American manufacturing** and **energy innovation**. Supporters, including Energy Secretary Chris Wright, claim the decision will **save $3.6 billion** and **better align federal spending** with **national security** and **economic priorities**.
Source: **Bloomberg**

4. Trump administration moves to overturn ESG investment rule for retirement plans
The **Trump** administration has taken **formal steps** to **reverse** a **key ESG investment rule** enacted under President Biden, which **allowed retirement fund managers** to **consider environmental, social, and governance factors** in **investment decisions**. A **new filing** with the 5th Circuit Court of Appeals **confirms** the administration has **ceased** its **legal defense** of the **rule**. The **Department of Labor** (DOL) has been instructed to **replace** it with a **new regulation**. The current rule, finalized in 2023, gives **fiduciaries** for **ERISA plans** the **flexibility** to **consider ESG criteria** when making **investments**—provided those criteria are financially relevant. It also allows fiduciaries to **apply ESG insights** when **exercising shareholder rights**, such as proxy voting, if those actions align with risk-return objectives. Further clarity on the DOL's approach is expected in its forthcoming **spring regulatory agenda**. For now, the future of ESG investing in retirement plans remains uncertain, as the rule's rollback progresses.
*Source**: ESG News***

China

China targets 200GW nuclear capacity by 2040 to curb coal reliance
China **plans** to **more** than **double** its **nuclear power capacity by 2040,** aiming to **reach 200 gigawatts** (GW) of **installed capacity**, according to a report by the China Nuclear Energy Association. This would make **China** the **world's largest nuclear power generator**, surpassing the United States, which had around 97GW in 2024. As of the end of 2024, China had **102 reactors** either operational or under construction, **totaling 113GW**, with most located in coastal provinces. Nearly **half of the world's 61 nuclear reactors** currently **under construction** are in **China**, reflecting the country's aggressive push to decarbonize while reducing reliance on weather-dependent renewables like wind and solar. Despite these clean energy ambitions, **coal** remains **dominant** in **China's energy mix**, and the country is still the **largest global emitter of greenhouse gases**. The nuclear expansion is part of a **broader strategy to diversify energy sources** and **enhance energy security**. By the **late 2030s**, **nuclear** is expected to contribute around **10% of China's energy mix**. In comparison, **India** had **8.18GW of nuclear capacity in 2024**, projected to grow to **22.48GW by 2031–32**. Meanwhile, the **U.S.** is also aiming to **boost** its **nuclear capacity**, with a target of **400GW by 2050** under recent executive orders signed by President Donald Trump.
*Source***: Business Standard**

UK

1. UK goes nuclear
The UK government made **two announcements** on **investment** in **new nuclear power generation. Rolls-Royce SMR** has been **selected** as the preferred bidder to **build** the **country's first small modular reactors**). The government is pledging over **GBP2.5 billion** for the **overall small modular reactor programme** up to **2029/30**. **Great British Energy - Nuclear** is aiming to sign contracts with **Rolls-Royce SMR** later this year and **connect projects to the grid** in the **mid-2030s**. Additionally, the government announced a **GBP14.2bn public investment** to help finance **construction** of the 3**.2GW Sizewell C nuclear plant**. In addition to a **partnership** with **EDF**, the government is seeking **financial commitments** from several **other investors**, with interest expected to come from a **handful** of **infrastructure funds** and **asset managers** and also **Centrica**. Giving further evidence of nuclear momentum, **World Bank** president Ajay Banga indicated in an email that the Bank would **support nuclear energy production** for the first time in decades, including **life extensions** and **SMRs**.
Source: **Gov.UK 1**; **Gov.UK 2**

2. UK announces £9.4 billion in funding secured for carbon capture and storage projects
The UK government has committed **£9.4 billion** to **support carbon capture and storage** (CCS) **projects** as part of its broader **industrial** and **clean energy strategy**. This funding, announced in the latest **Spending Review**, will drive forward **two major CCS initiatives**: the **Acorn project** in Aberdeenshire and the **Viking project** in the Humber. These projects are expected to create around **35,000 jobs**, including 1,000 apprenticeships, and play a key role in revitalizing industrial regions like the North Sea and Britain's manufacturing heartlands. The government is **providing** approximately **£200 million** in **development funding** for Acorn, marking the first time such a scale of support has been offered. This includes

financial backing for the National Gas SCO2T Connect project, which will **repurpose** and **expand pipeline infrastructure** to **transport CO_2** from Grangemouth to **offshore storage**. Acorn alone could safeguard 18,000 North Sea jobs and help generate low-carbon power for homes and businesses. Energy Secretary Ed Miliband emphasized that this investment **supports** the **UK's ambition to become a clean energy superpower**, while also delivering **high-skilled, well-paid jobs**. Industry leaders from Storegga and Harbour Energy welcomed the funding, highlighting its importance for reaching final investment decisions and scaling the UK's CCS infrastructure. Once operational, **Acorn** and **Viking** could collectively **remove** up to **18 million tonnes of CO_2 annually**. These projects also support the **development** of **hydrogen power** and are expected to contribute to an industry that could support up to 50,000 jobs by the 2030s. The funding also complements earlier support for CCS projects in Liverpool Bay and Teesside, reinforcing the **UK's leadership in low-carbon technologies** and industrial decarbonization.
Source: **World Pipelines**

REGULATION

Clean Industrial Deal State Aid Framework (CISAF)

European Commission adopts a new State Aid Framework
The **European Commission** has published and **adopted new state aid rules** controlling the extent to which **EU countries** can **subsidise** their **industrial** and **energy companies**. The **Clean Industrial Deal State Aid Framework** (CISAF) **replaces** the previous **Temporary Crisis and Transition Framework** (TCTF) and will be in place from **today** until the **end of 2030**. In general, EU rules **forbid countries** from **favouring** their **own industries** through **subsidies**, but there are **specific areas** where this is **allowed**, controlled by state aid rules. The new rules allow for:

- **A 'fast-track' for the rollout of clean energy**. Subsidies supporting renewables and low carbon fuels (including both blue and green hydrogen).
- **New rules on flexibility measures and capacity mechanisms.** Giving more ways in which countries can pay for standby capacity, through capacity mechanisms and other market designs.
- **Support for electricity costs for energy-intensive users.** Support by governments to lower energy costs for energy intensive industries (heavily dependent on electricity and also to international trade).
- **Flexible support for investments in all technologies leading to decarbonisation or increased energy efficiency.** Particularly covering clean tech manufacturing, which is also covered by the existing Net Zero Industry Act.

The final version of the state aid framework compared to the March draft shows a number of changes, almost all of which **expand the scope** of **allowed subsidies**. The most prominent addition relates to **temporary** (up to 2030) **electricity price relief** for **energy intensive users**. This can cover **up to 50 % of the annual electricity consumption** with a **reduction** of **up to 50% of the yearly average wholesale market price**, as long as this does not cut the price below EUR50/MWh. Companies have to **invest** at **least 50% of the savings into decarbonisation measures**. Other changes include **allowing aid for longer periods** than the draft, giving projects **more time to be completed**, adding US-style '**safe harbour' clauses** to protect the measures from future political changes and allowing subsidies to be given for **investments in natural gas** related projects, as long as natural gas will be **phased out by 2040**.
Source: **European Commission**

EU Omnibus Package

EU Member States agree on bigger cuts to sustainability reporting, due diligence than omnibus proposal
The **European Council** has reached an **agreement** on its negotiating position for the **Omnibus proposal**, which aims to simplify and reduce sustainability reporting and due diligence requirements for companies. This position significantly **scales back the scope** of **key EU regulations**, particularly the **Corporate Sustainability Due Diligence Directive** (CSDDD) and the **Corporate Sustainability Reporting Directive** (CSRD), **compared to the European Commission's original proposals**. For the **CSRD**, the Council **maintains** the **Commission's proposed threshold of 1,000 employees** but **adds a €450 million revenue threshold**, further **narrowing** the **number of companies** required to report. It also introduces a **review clause** that could allow for **future scope extensions**, based on the **need** for **sustainability data** to support the **EU Green Deal** and the **readiness** of **companies to comply**. The clause also suggests the **possibility** of a **simplified reporting regime** for **smaller firms**. The Council's position on the **CSDDD** is even **more restrictive**. It **raises** the **threshold** for **inclusion** to **companies** with **at least 5,000 employees** and **€1.5 billion in revenue**, effectively **excluding the vast majority of firms**. The Council justifies this by arguing that **only the largest companies** have the **influence** and **resources** to **manage due diligence obligations** effectively. It also shifts the directive's focus **from an entity-based to a risk-based approach**, requiring companies to **prioritize areas** where **adverse impacts are most likely**, and to conduct **mapping** based on **reasonably available information** rather than **comprehensive value chain assessments**. Additionally, the **Council delays** the **CSDDD's implementation deadline** by **one year** to **July 2028** and **softens** the **requirement** for **climate transition plans**, allowing companies to adopt such plans and outline actions, but postponing the obligation by two years. These positions will now serve as the **Council's basis** for **negotiations** with the

European Parliament, which has proposed its **own amendments**, **including a 3,000-employee threshold** for the **CSRD** and the **removal** of **climate transition plan requirements from the CSDDD**.
Source: **European Council**

Green Claims Directive

EU Commission confirms Green Claims Directive not withdrawn
The **European Commission** has clarified that it has **not withdrawn** the **Green Claims Directive**, despite earlier **confusion** caused by a **spokesperson's statement suggesting otherwise**. The directive, introduced in March 2023, aims to **combat greenwashing** by **requiring companies** to **substantiate environmental claims** with **scientific evidence**, undergo **independent verification**, and **avoid misleading eco-labels**. **Controversy erupted** just **before** final **negotiations** when the **European People's Party** (EPP) requested the **directive be withdrawn**, citing **concerns** over **compliance burdens** for **microenterprises**. A Commission spokesperson then stated the **directive would be withdrawn**, leading to the **cancellation** of the **trilogue meeting**. However, the Commission later clarified that **withdrawal** would only **occur** if **microenterprises remained** within the **directive's scope**. These businesses, which make up 96% of EU companies, were **already exempted** in **prior negotiations**, according to Parliament's lead negotiator. The **directive's future** now depends on **resolving** the **microenterprise exemption issue** and **restoring political consensus** among EU institutions. Despite the setback, the **Commission reaffirmed** its **commitment** to the **directive**, which remains **central** to the **EU's efforts to regulate sustainability claims** and **protect consumers from greenwashing**.
Source: **ESG News**

EU Carbon Border Adjustment Mechanism (CBAM)

CBAM simplification: final green light
The **European Parliament** and **Council** reached an **agreement** on the **simplification** of the **Carbon Border Adjustment Mechanism** (CBAM), paving the way for **exemption of 90% of companies**. This carbon tariff is designed to **level** the **playing field** by putting a **fair price on carbon emissions** from **imported goods**, ultimately encouraging **cleaner global production**. The **implementation** of CBAM will be **gradual**, spanning from **2026 to 2034**. It will cover **key sectors** including **cement, steel, aluminium, fertilisers, electricity and hydrogen**. As part of the omnibus simplification package, the European Commission proposed significant changes to **reduce** the **regulatory burden of CBA**M. The **new threshold** will apply **to imports up to 50 tonnes per importer per year**, replacing a prior threshold exempting goods of negligible value. Most notably, **small importers** – primarily SMEs and individuals – will be **exempt** from **CBAM obligations**. This proposal aims to **exclude 90% of importers** while **still covering 99% of embedded emissions**, according to EC estimates. Additionally, the **sale of CBAM certificates** has been **postponed** by one year to February 2027.
Source: **European Council**

EU Methane Regulation

Conclusions from Council presidency prompt concerns for European climate leadership and broader regulatory framework
There is **growing concerns** over the EU Council presidency's recent suggestion to include the newly adopted **EU Methane Regulation** in the upcoming **Omnibus simplification package**. While the proposal does **not formally reopen** the **law**, it raises **fears** that it could **weaken** one of the **EU's most impactful climate policies** before it's even implemented.
Key points:

- **Significance of the Regulation**: The EU Methane Regulation is seen as a major climate achievement, already influencing emissions reductions in Europe and globally. It mandates leak detection and repair (LDAR), facility-level methane monitoring, and traceability for fossil fuel imports.
- **Concerns about weakening**: Climate advocates, including CATF's Alessia Virone, warn that revisiting the law under the guise of simplification could undermine Europe's credibility and regulatory stability.
- **Implementation challenges are manageable**: Issues raised by some Member States—such as offshore LDAR, coal mine methane, and importer obligations—can be addressed through technical guidance and digital tools, not legal amendments.
- **Industry impact is overstated**: The cost of compliance is low, and existing systems like OGMP 2.0 and trace-and-claim already support implementation. The EU's premium market status makes it unlikely that exporters would opt out.
- **Call to action**: The article urges EU institutions to focus on **supporting implementation**, not rewriting the law. Simplification should not become a backdoor for weakening climate commitments.

Source: **Clean Air Task Force**