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Omnibus Simplification Package puts Green Deal at risk

Today, the European Commission presented its Omnibus Simplification Package, aiming to adapt the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), EU Taxonomy. In particular the CSRD and the CSDDD, that were only recently adopted, are taking a massive hit, putting the EU back in time, helping environmental and human rights abusers cover-up their crimes and leaving them unpunished.

While the Greens/EFA Group supports making EU rules easier to follow for all businesses, including large companies and SMEs, this proposal pushes for deregulation and will eradicate key achievements of the European Green Deal. Ursula von der Leyen's policy shift not only threatens human rights around the world, climate action, and biodiversity but also puts the EU economy at risk.

MEP Anna Cavazzini, Chair of the Internal Market Committee (IMCO), comments:

"The EU Commission's proposal is deregulation under the guise of reducing bureaucracy. Simplifying reporting requirements, and easing the burden on small businesses is important. However, delaying the EU due diligence law, drastically weakening civil liability and limiting due diligence obligations to the first suppliers means that only an empty shell of the directive remains. With this dismantling of due diligence law, environmental crimes and human rights violations won't be prevented.

"Ursula von der Leyen gave in to EPP party politics and lobbying pressure from big business associations. If a law is not even in force and then reopened without evidence, it creates planning uncertainty and chaos, at a time when politics must create reliability and stability for the economy. Many companies who have already set out to make their supply chains more resilient are unsettled.

"Long-term sustainability and competitiveness go hand in hand. This is the EU's competitive advantage. Now is not the time to abandon the defence of human rights and give corporations a free hand."

MEP Marie Toussaint, Vice-Chair of the Greens/EFA Group, comments:

"Today, on the false pretext of simplification, the European Commission presents a reform designed to radically weaken social and environmental norms applying to companies. The Greens/EFA Group strongly supports cutting administrative burdens but this must not be mistaken for dismantling the

legislative framework that guides businesses and investments. Rather than undoing five years of progress, the Green Deal should be our compass for boosting EU competitiveness, creating jobs, lowering energy costs, and meeting human rights and climate commitments.

This first omnibus represents an unprecedented setback to over a decade's fight against corporate impunity. It is a tragic founding act of this new mandate, marking the beginning of a cycle of legal backslash that all environmental, climate and social defenders must fight. The EU won't be able to reach its social and climate goals by killing the crucial tools to reach them.

"Instead of providing stability, the Commission is creating uncertainty and confusion—discouraging investors, penalising front-runners, and rewarding those who fall behind. Ursula von der Leyen is aligning with the EPP and right-wing parties that are undermining European democracy. We call on her to get back to the Green Deal tracks."

Background:

The Greens/EFA Group sees no evidence or empirical data, which would justify such radical changes to CSRD and CSDDD. The current adaptations are mainly based on fears and beliefs due to lobbying of parts of the corporate sector. We strongly condemn that, particularly under the CSRD, no more special attention is given to sectors with high human rights and environmental risks, such as mining, textiles or construction.

Main aspects of the proposal:

- Postponing the implementation of CSRD and CSDDD, hurting companies that invested in compliance and rewarding those ignoring sustainability (human rights, environment and climate). Banks will lack critical data for sustainable lending, and serious human rights violations will go unaddressed for years.

Postponement also causes additional legal uncertainty for companies as long as these new rules are not adopted by the co-legislators. Particularly for the CSRD as they have already been legally required to start and have been applying the rules.

- Reducing the scope of the CSRD from more than 50,000 companies to 5,000 companies, excluding 90% of companies previously covered e This is a step backward even compared to the former non-financial reporting rules from 2014, and will limit investors' and governments' ability to assess human rights and climate risks.

- Restricting CSDDD obligations for companies to direct business partners and de facto

further exclusion of partners with less than 500 employees. This does not cut bureaucracy but instead removes the focus from the most critical areas of value chains.

- No more responsible disengagement possible under CSDDD for companies in cases of major environmental or human rights abuses, which implies that abuse can go on forever.

- “Meaningful” stakeholder engagement obligations under CSDDD have been reduced to a bare minimum.

- Value chain and adverse impact monitoring only needs to happen every 5 years, which implies due diligence itself becomes only a 5-yearly exercise and not a permanent obligation.

- Removing the obligation for Member States to introduce liability for failing to meet due diligence obligations, relying only on national law tools for damages. This would leave victims of corporate crimes without an effective judicial right to remedy.

- Trade unions or NGOs would not longer be allowed to file cases on behalf of victims (Removal of representative actions)

- Removing the obligation to put adopted climate change mitigation plans into effect. This is a direct open road to even more greenwashing.

- Taxonomy is open in all but name. Undertakings are no longer obliged to disclose alignment with the EU taxonomy. Under the Omnibus, only undertakings that claim to be sustainable and those with annual turnover above 450 million EUR would have to disclose their taxonomy alignment (based on capex and turnover).

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