

## Our position

# The road to European competitiveness: delivering on the promise of regulatory simplification

Calling for an effective Omnibus package to reduce reporting burdens and  
deliver coherent European sustainability legislation

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3.7 trillion in 2022, directly supports more than 4.9 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

## Executive summary

- All European institutions should seize the critical opportunity presented by the first Omnibus package to deliver meaningful regulatory simplification. Regulatory burdens are a top concern for transatlantic businesses, with 84% of American Chamber of Commerce to the EU (AmCham EU) members citing them as a primary barrier. Without bold action, the EU risks losing business confidence and much-needed investment, jeopardising the EU's linked economic and sustainability goals.
- The Omnibus package must urgently prioritise simplifying the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Taxonomy Regulation. If other files such as the Carbon Border Adjustment Mechanism are included in this first package, policymakers must carefully manage the timing and overlap of work so that simplification remains the priority and is achieved quickly.
  - For the CSRD, the European Commission should consolidate transition plan requirements, review standards, clarify guidance at least two years in advance, limit the cascading compliance burdens on supply chains and allow equivalency with other sustainability reporting frameworks.
  - For the CSDDD, reforms should address scope and extraterritoriality concerns, harmonise implementation across Member States and mitigate excessive civil liability risks.
  - For the Taxonomy Regulation, the Commission should refine risk assessment methodologies, improve alignment with existing regulations and establish clearer, voluntary quantifiable compliance metrics.
- Amid significant political uncertainty while simplification is underway, businesses should not be made to comply with legislation that could materially change. Despite the political challenges involved and the recognised disruption to compliance efforts already underway, the EU should immediately stop the clock on the transposition of the CSDDD and delay the implementation of the CSRD. At the same time, businesses need to be sure that their substantial compliance investments and commitments to transforming their business models have not been made in vain.
- AmCham EU members are committed to the green transition. Businesses are investing significant resources to implement sustainable business practices, and in many cases have made strong public commitments to responsible business practices. By simplifying the regulatory burden associated with sustainability reporting, companies can invest more of their resources into the green transition rather than on excessive compliance requirements.
- The Omnibus package must also set a clear blueprint for the European institutions' approach towards future simplification and reform for a wide range of other existing EU legislation across areas including – but not limited to – environmental, digital, taxation, energy and agricultural policy. In addition, the Omnibus package must signal a fundamental change to how the Commission approaches policy and regulatory development going forward – one that

is focused on prioritising competitiveness and minimising unnecessary regulatory burden for businesses of all sizes. Policymakers can in this way better incentivise and enable businesses operating in Europe to support the EU's innovation, competitiveness and resilience goals detailed in the Competitiveness Compass.

## Introduction: why simplification is essential

Regulatory simplification is critical for enhancing Europe's competitiveness for business. President von der Leyen stated her own commitment to regulatory simplification and reducing administrative burdens as part of the Commission's broader competitiveness agenda. This focus was sorely needed since the suite of legislation that the first von der Leyen Commission delivered across multiple policy areas was excessively wide in breadth and depth. As an illustration, the Commission must process over 900 implementation acts in the coming legislative period.<sup>1</sup> These pieces of legislation placed multiple overlapping new burdens on businesses, resulting in uncertainty about their implementation and business compliance.

Excessive regulatory burdens have become a major deterrent to business confidence and attracting investment in Europe: 84% of AmCham EU member companies rank reducing regulatory burdens as a top priority for policymakers to support transatlantic business operations. Simplification must mean streamlining, and in many cases reducing, the scale of the burden on businesses to set Europe back on a course to growth and improve its competitiveness.

Importantly, simplification should not mean deregulation; rather, it should ensure the EU's sustainability and due diligence goals are met in a manner that is predictable and practical for companies. AmCham EU members are committed to the green transition. A full 98% of member companies support the Paris Agreement, which provides a stable and predictable framework for investments. More broadly, AmCham EU member companies are investing significant resources to implement sustainable business practices and in many cases have made strong public commitments to responsible business practices. By simplifying the regulatory burden associated with sustainability reporting, businesses can invest more of their resources into the green transition rather than on excessive compliance requirements.

Although the Commission will not announce the full details of the first Omnibus package until late February, it is understood that the main focus will be the simplification of sustainability reporting legislation, including the CSRD, the CSDDD and the Taxonomy Regulation. The forthcoming Omnibus package therefore presents a critical opportunity for the EU to prove it can deliver on its simplification agenda. It must balance streamlining sustainability reporting obligations while maintaining the EU's leadership in corporate responsibility.

AmCham EU is committed to the success of the Omnibus package. Aggregate US investment in Europe exceeded €3.7 trillion in 2022 and directly supports over 4.9 million jobs across the EU, underscoring the importance of ensuring that the EU's regulatory frameworks are both effective and streamlined to avoid unnecessary burdens on businesses operating within the Union. For US-headquartered

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<sup>1</sup> Hoppe T., 'Green Deal: 900 implementation acts pending – industry warns of "tsunami"', *Table.Briefings*. 6 December 2024, <https://table.media/en/europe/feature/green-deal-900-implementation-acts-pending-industry-warns-of-tsunami/>.

companies to maintain this level of investment, Europe must enhance its competitiveness through regulatory simplification. With these stakes in mind, EU policymakers should ensure the scope of the Omnibus package is narrowly targeted and includes the CSRD, the CSDDD and the Taxonomy Regulation, with specific recommendations for each detailed below.

The recommendations in this position paper reflect the perspectives of a broad majority of AmCham EU's membership: a diverse range of American businesses invested in and committed to Europe, operating across a variety of sectors throughout the supply chain, with different business models and different levels of preparedness for compliance with sustainability reporting obligations. Although the views of individual member companies on specific ways to simplify these complex pieces of legislation may vary, all AmCham EU members recognise the urgency of regulatory simplification under this and future Omnibus packages and need legal certainty about how their immediate activities and commitments may be impacted.

#### Case in point:

AmCham EU member companies across different sectors and market segments all face significant compliance burdens for EU sustainability reporting legislation related to both the cost of compliance and the scale and feasibility of compliance.

Under the CSRD, one AmCham EU company estimates the annual costs of assurance – just the cost of hiring auditors to check companies' compliance with requirements – could start as high as €7.5 million. Further, companies need to divert resources to hire more staff to manage compliance issues; another AmCham EU member estimates individual companies have had to hire around 18 full-time equivalent staff or more solely to comply with the CSRD. Companies also need to hire many external consultants and suppliers for the practicalities of compliance. One AmCham EU member estimates consultant and supplier costs of nearly €5 million annually for the foreseeable future.

Under both the CSRD and the CSDDD the scope and scale of reporting required poses enormous compliance burdens that are extremely challenging – if not impossible – for even large multinational companies to manage. One AmCham EU member has 40,000 Tier 1 suppliers alone, with a possibly unknowable number of Tier 2 and 3 suppliers. The sheer volume of data points is also overwhelming: a member company estimates it must collect and report 600 to 800 data points that are aligned with the European Sustainability Reporting Standards.

Another AmCham EU member reports that because of how the CSDDD treats EU and non-EU parent companies and subsidiaries, it would have to report on around 200 legal entities within the same group, even though only 35 entities actually meet the size threshold indicated under the CSDDD. Fifty of that company's entities are located outside the EU.

Cumulatively, these burdens divert resources away from core business activity. One company reports that because it faces ongoing sustainability compliance costs in the EU of at least €10 million annually, it will likely divert investment away from innovation, research and development, employee retention and employee training.

## Scope of Omnibus

A targeted and pragmatic first Omnibus package is essential to achieving quick and meaningful simplification. The Omnibus package must urgently prioritise simplifying sustainable finance reporting, sustainability due diligence and taxonomy. If other files such as the Carbon Border Adjustment Mechanism are included in this first package, policymakers must carefully manage the timing and overlap of work so that sustainability simplification remains the priority and is achieved swiftly.

Although President von der Leyen indicated in recent comments that she wants to create a conducive environment for small and medium-sized enterprises (SMEs) to scale up and thrive through simplification, the interconnected nature of supply chains means that businesses of all sizes need simplification to reduce regulatory burden.

Businesses also urgently need certainty that they will not be forced to comply with legislation that may be significantly reformed. The implementation of the CSRD should be put on hold for at least two years, with a modified pathway for companies to voluntarily contribute relevant information while simplification is ongoing. In this way, companies that are ready and able to undertake reporting can benefit from their compliance investments while those that are not yet able to comply do not have to make potentially wasted investments of time and resources. Similarly, the transposition of the CSDDD must be paused whilst simplification efforts are underway to avoid confusing and divergent potential differences emerging at the Member State level.

Excessive, overly complex and duplicative regulation is not limited to sustainability. Multiple Omnibus regulatory simplification packages are needed in areas including environmental, digital, taxation, energy and agricultural policy. However, by prioritising sustainability files in this first Omnibus package, policymakers can deliver meaningful simplification without overwhelming businesses or delaying much-needed reforms. Businesses have consistently identified the CSRD, the CSDDD and the Taxonomy Regulation as the most challenging legislation in terms of compliance costs and complexity. The Draghi report also identified these pieces of legislation as major sources of regulatory burden, over-reporting and unclear definitions and requirements.

## Specific concerns and recommendations

In a changing global economic landscape, the Omnibus package presents a unique political opportunity to meaningfully reduce regulatory burden on business and thus enhance Europe's attractiveness for investment. All necessary legal and procedural mechanisms should be on the table to fix the known challenges in the files included within scope. This must be combined with strong political leadership and discipline from the co-legislators to ensure initial simplification efforts stay on track and are completed quickly and efficiently.

Specific challenges and fixes to the CSRD, the CSDDD and the Taxonomy Regulation are detailed below. AmCham EU will provide more detailed input on behalf of its members upon the Commission's official disclosure of the first Omnibus package's scope.

## Corporate Sustainability Reporting Directive (CSRD)

The CSRD raises several challenges that require immediate attention in the Omnibus package:

- **Interoperability with the CSDDD.** Both the CSRD and the CSDDD in their current forms introduce duplicative obligations that overlap with other reporting frameworks, creating unnecessary efforts and inefficiencies. Both require companies to disclose transition plans but mandate different scopes and levels of detail. Due to the lack of a materiality threshold that would provide better comparability, this misalignment leads to inefficiencies and higher compliance costs, diverting company resources from meaningful sustainability investments. Allowing for EU reporting consistent with existing international standards would be a practical and effective simplification action. In the absence of equivalency with standards produced by the International Sustainability Standards Board, simplification could entail removing disclosure requirements, adding phase-ins and pausing any new standards until the current set is embedded into corporate reporting practices and fully operationalised by businesses.

Consolidating transition plan requirements under one framework alone would significantly reduce duplicative efforts while establishing clearer guidance on reporting timelines. In addition, limiting cascading burdens on value chain partners would alleviate undue pressure on SMEs and other affected businesses. Other simplification measures such as ensuring companies only need to submit reporting to one authority and reducing the number of data points in reporting frameworks would materially improve EU sustainability legislation.

- **Sector-specific standards and prioritisation of high-impact sectors.** In its current form the CSRD prioritises the implementation of the European Sustainability Reporting Standards on high-impact sectors. However, both sector-specific and sector-agnostic standards represent a significant administrative burden for companies in different sectors and generally lack the legal certainty necessary for businesses to implement them effectively. At a minimum, introducing a delay for sectoral standards would provide the Commission and the European Financial Reporting Advisory Group an opportunity to reflect on the effectiveness of existing requirements without having to issue new guidance.
- **Guidance and clarity.** The Commission must provide clear implementation guidance at least two years ahead of reporting deadlines to avoid misinterpretation and interpretations that are overly subjective as well as ensure consistent application of reporting standards.
- **Pause and delay of assurance requirements.** The mandatory assurance requirements place a significant burden on businesses and many companies urgently need an extended timeline to ensure they are sufficiently prepared. As noted above, this could include at minimum a cascading two-year practical delay (for the second and third wave of reporting companies) in the implementation of the CSRD and clear guidance on how businesses that have already made significant reporting compliance preparations can benefit from these investments in the near term.
- **Emissions disclosures.** Companies face difficulties in collecting comprehensive and reliable emissions data, given their dependency on suppliers and third parties. The Commission should propose adapted methodologies for collecting relevant data points that allow businesses to

provide estimates rather than a granular approach, prioritising quantitative input over qualitative input. This would ensure companies can be transparent without putting undue compliance pressure on their SME and mid-cap suppliers.

- **Extraterritoriality.** The CSRD's current extraterritorial impact remains a significant legal risk for businesses, as it fails to account for the legislative landscape of third countries and the possibility that CSRD requirements might fail to meet the legal requirements of third countries' national legislation. If the EU cannot provide satisfactory legal clarity and protection for businesses before 2028, the extraterritorial provisions should be revised.

## Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD has introduced significant compliance burdens, requiring urgent revision. For meaningful simplification, it is necessary to 'stop the clock' on CSDDD transposition to avoid confusing divergence emerging between Member States and additional uncertainty for businesses.

- **Scope of obligations.** The scope of due diligence requirements is too broad, placing disproportionate burdens on businesses, particularly SMEs. The Commission should consider limiting the CSDDD's scope to Tier 1 suppliers.
- **Extraterritoriality.** The CSDDD's scope extends beyond EU borders by design, creating significant compliance challenges for non-EU operations of multinational businesses. Moreover, this wide scope is effectively a significant overreach. The CSDDD forces private companies to enforce legislation – that was drafted without the collaboration of relevant third countries – outside of EU jurisdictions and without assurances that their compliance efforts will not conflict with the national laws of those third countries. The CSDDD as currently designed does not strike the right balance between global standard setting in responsible business practices and national sovereignty. Europe must collaborate with other jurisdictions, particularly other major trade partners that are critical to global supply chains, to develop common standards and give suppliers located in low- and middle-income countries time to build capacity to comply with the CSDDD. Failing to recognise these compliance challenges across international borders would give an opportunity to non-market economy rivals – who do not have strong commitments to the highest sustainability and human rights standards – to dominate global supply chains.
- **Harmonisation within the Single Market.** The CSDDD has not yet been transposed across the EU. Companies will struggle with the likely lack of harmonisation across Member States, which will result in legal uncertainty and inconsistent enforcement. The Commission should increase the number of articles under stricter harmonisation rules to avoid fragmentation of the Single Market. Additionally, any changes to the CSDDD under the Omnibus should consider the revision clause aiming to transpose the directive into a regulation.
- **Opening a Pandora's box of increased civil liability risk.** The CSDDD introduces significant civil liability risks for companies within its scope that extend beyond their own operations and can include parent and subsidiary companies. Businesses may be required to pay full compensation for damages resulting from alleged non-compliance. The potential for private enforcement actions risks speculative class action claims and representative claims and correspondingly requires companies to make costly investments in legal risk management.

The civil liability risk does little to incentivise companies to invest in sustainable and responsible practices but rather increases businesses' legal risks, ultimately having a chilling effect on business confidence in European jurisdictions. At a minimum, the Commission should consider introducing a harmonisation clause related to the civil liability risk. However, the Commission should also consider revising both Article 27 and 29 or deleting civil liability references altogether.

- **Publication of guidance.** Companies need clear and practical guidance to navigate complex due diligence obligations. The Commission should publish guidance related to the implementation of the CSDDD two years ahead of its entry into force. The Commission's current proposed timeline for the publication of its guidance document does not match the challenges businesses face in implementing this complex directive. In addition, the Commission should ensure upcoming consultations and publications of frequently asked questions are not delayed and follow a schedule that addresses the need for legal clarity.

## EU Taxonomy Regulation

The Taxonomy Regulation is intended to provide a classification system for sustainable economic activities. However, the legislation's current usefulness is limited due to overlapping disclosure requirements with the CSRD. The following concerns should be addressed under the Omnibus package:

- **Risk assessment and alignment to sustainable contribution criteria.** Businesses require a clearer and more flexible approach to risk assessment for sustainable contributions. The 'do no significant harm' principle is too ambiguous to be interpreted and applied effectively by corporations across global supply chains. Granular changes in secondary legislation are likely required, with significant input from subject matter experts.
- **Integration with existing European regulations.** The Omnibus package must address the current misalignment between the Taxonomy Regulation, the CSRD, the CSDDD and existing EU regulatory frameworks to avoid conflicting requirements. This misalignment, some of which arises from the Taxonomy Regulation predating the broader sustainable finance framework, create conflicting requirements and reduce legal certainty for those seeking to apply the Taxonomy. Any review of the Taxonomy Regulation must examine definitions that conflict with the CSRD and the Sustainable Finance Disclosure Regulation.
- **Creation of quantifiable metrics and added value.** Companies struggle with the lack of clear, quantifiable metrics that demonstrate compliance with the regulation, particularly regarding Article 8 reporting requirements. This lack of clear metrics enhances legal uncertainty, increasing the risk of costly, unfounded legal proceedings, and disincentivises structural changes and investment. The Commission should further develop methodologies and best practices that help companies comply with the legislation, with substantial input from industry actors to ensure their feasibility. The proposed methodologies and best practices should in no way add to business' legal obligations and existing compliance burdens.



- **Creation of voluntary metrics and identifying added value for businesses.** To enhance the usability of the Taxonomy Regulation, the Commission should consider developing voluntary metrics alongside the existing mandatory ones, clearly demonstrating their added value and specific use cases. The current proliferation of metrics, particularly within Article 8 reporting, creates confusion and increases costs for companies. The lack of legal clarity around these requirements, especially concerning reporting of capital expenditures and operating expenses, risks legal challenges and disincentivises certain economic activities. The Omnibus package should address these methodological challenges, including the usefulness of current reporting requirements. Furthermore, the Commission should explore ways to reduce reporting duplication and refocus the Taxonomy on providing information that is more useful for investors, potentially through the development of best practices that streamline reporting obligations.

## Conclusion

The EU must not miss this moment to prove its commitment to regulatory simplification. The first Omnibus package must be focused and effective in reducing compliance burdens on businesses. If the EU fails to effectively streamline the legislation in this first Omnibus package, it will undermine Europe's economic competitiveness and credibility for future reform efforts.

Policymakers must prioritise tangible, immediate simplifications within the CSRD, the CSDDD and Taxonomy frameworks. This means addressing overlapping reporting obligations, ensuring regulatory coherence and pausing new reporting requirements until businesses have the clarity and the capacity to comply. Half-measures or delays will not suffice. Businesses need certainty and action now.

Getting the first Omnibus package right is not just a regulatory issue; it is a litmus test for Europe's ability to attract investment, drive growth and maintain its sustainability leadership on the global stage.