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# Eurogas Response to the Omnibus Simplification Package (CSRD, CS3D and EU Taxonomy)

Eurogas welcomes the European Commission's **Omnibus Simplification Package, amending the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D)** and the **Taxonomy Regulation**. This initiative reflects a strong commitment from policymakers to actively engage with the EU industry to reduce administrative, regulatory and reporting burdens for businesses. It allows companies to focus their resources on innovation and competitiveness, while continuing to support the European Union's decarbonisation objectives. However, despite the revisions, certain unnecessary burdens on companies persist and should be addressed. This paper outlines the key points welcomed by Eurogas and highlights specific areas where we seek improvements or greater clarity.

## On the Corporate Sustainability Reporting Directive (CSRD)

### 1. The revision of the ESRS is welcome, but it must be carried out carefully to ensure the ESRS are fit for purpose

We support the EC's intention to revise the first set of ESRS within a maximum of 6 months after entry into force of this proposal. In doing so, we urge the EC to:

- **Ensure early and broad stakeholders' involvement.** The EC should mandate EFRAG to prioritise meaningful engagement with practitioners to ensure the revised standards are implementable and reflect reporting realities and stakeholders' needs.
- **Deliver a comprehensive revision and significantly reduce reporting requirements.** This can be achieved by clearly distinguishing mandatory from voluntary disclosures, eliminating duplication, prioritising quantitative over narrative information and clarifying divergent interpretations of ambiguous datapoints. The revision should also offer structural guidance for reporting, options to consolidate repetitive datapoints, standardised templates (especially for quantitative data), and clearer materiality thresholds. Consistent terminology throughout the standards is also essential to ensure legal clarity and ease of implementation.
- **Preserve regulatory stability.** A thorough revision will also reduce the need for frequent updates of the ESRS framework, providing companies with the regulatory certainty needed for effective planning, implementation and compliance efforts.
- **Clarify compliance obligations during the review process**. Eurogas welcomes the agreed 'stop-the-clock' provisions, postponing the application of CSRD for companies under wave 2 and 3. However, for wave 1 companies, the situation remains complex. As it is unlikely the revised ESRS will apply to the next reporting cycle, there will be an overlap between current and future reporting requirements. The EC must ensure that the data points applicable for the 2026 reporting cycle (covering financial year 2025) remain consistent with those of the current cycle. In this regard, we

recommend freezing the data set for wave 1 companies until the review is concluded and the revised ESRS are adopted.

## 2. Removing sector-specific standards is a positive step and should be supported by the EP and Council

**Eurogas welcomes the removal of sector-specific standards** under Article 29b of the CSRD. This grants companies and auditors more time to focus on implementing the horizontal ESRS and gain experience in reporting and assurance, without reducing the quality or quantity of the information provided.

**Looking ahead to the upcoming negotiations on the file, it is important to maintain this direction** and avoid creating uncertainty through alternative approaches, such as by introducing sector-specific guidelines (in this case, there would be a risk that these guidelines would be treated as de facto mandatory, creating the same burdens as sector-specific standards but without the legal clarity or proper consultation process). As highlighted by the European Commission in the SWD, should companies require additional support in reporting on sector-specific sustainability matters, they may turn to existing international sustainability reporting standards and sectoral initiatives.

## 3. The amendments on limited and reasonable assurance are welcomed, although additional non-binding guidance are needed

**Eurogas welcomes the removal of the time limits for limited assurance standards and the withdrawal of the EC's mandate to set reasonable assurance standards** under Article 26a(1) and (3) of the Audit Directive as amended by CSRD. This reflects an understanding of the considerable resources already required for assurance processes by audited companies and will help avoid further burdens, including unnecessary reporting obligations and overly complex materiality assessments.

To further support companies, the Omnibus proposal should also include:

- A clear **definition** of **limited assurance**
- A precise **timeline** for the publication of the **assurance guidelines**
- Additional **guidance on implementation and auditing principles**

Such guidance is needed to ensure a pragmatic and harmonised approach to sustainability audits. Companies in wave 1 are reporting several difficulties due to diverging interpretations and internal processes among auditors. Clear guidance from the EC – for example, in the form of Q&A or guidance documents – alongside streamlined ESRS that fosters comparability across companies, could help alleviate these issues.

While guidance documents are valuable, **there remains a risk of over-compliance,** as auditors often interpret non-binding guidance – such as that issued by EFRAG – strictly and apply it as if it were legally binding. To mitigate this risk, we urge the EC to **explicitly clarify the non-authoritative nature of such documents.**



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## 4. The new value chain cap is a positive step, but its impact remains unclear

We understand that the new 'value chain cap' (i.e., large undertakings are not required to seek information from smaller entities and beyond the voluntary sustainability reporting standards (VSME)) is intended to ensure more proportionate reporting obligations for some companies. Yet, while this provision may help limit the trickle-down effect on smaller companies, **it could have a negative impact on larger companies**, particularly on their ability to obtain sustainability data from smaller business partners. Therefore, reporting undertakings should, where necessary information is unavailable, incomplete, or subject to legal limitations, be allowed to explain the efforts made to obtain it, the reasons for non-availability, and their plans to obtain such information. In these cases, reporting undertakings should be deemed compliant with the CSRD.

In addition, there are **other aspects** of the value chain threshold whose practical implications remain **difficult** to assess. In light of this, we urge the EC to:

- **Clearly define what 'sustainability information that is commonly shared in the sector concerned' is** and provide guidance to help companies understand and fulfil their reporting obligations.
- **Clearly define 'employees'** as well as specific information on how and when to calculate their average number.
- **Clarify the process for adopting the voluntary standard** (**VSME**) under Article 29ca, including the extent to which it will be built upon EFRAG's VSME standard (adopted in December 2024).

## 5. Measures to simplify the Taxonomy are welcomed, but they don't go far enough

**Efforts to simplify the Taxonomy Regulation and make it more usable for market players are a step in the right direction**. In its amendments to the Disclosures, Climate and Environmental Acts, the EC put forward positive suggestions including a 10% materiality threshold, simplified disclosure of non-material activities, reduced reporting templates for gas and nuclear activities, a plan to revise all DNSH criteria in the future etc. (for more information, please see Eurogas response to the EC consultation here).

However, significant challenges with the Taxonomy remain, including:

- **The practical implementation of these simplification measures is often unclear.** For example, the application of the proposed 25% materiality threshold for the OpEx KPI remains unclear, whereas the OpEx KPI itself should ideally be removed entirely or, at the very least, made voluntary for all companies. Similarly, the definition and intended objectives of the new 'opt-in regime' for 'partially aligned' activities under Article 8 of the Taxonomy Regulation are highly unclear.
- **Timely implementation of the proposed measures is key to deliver the expected benefits**. However, in the draft act, it is unclear whether the simplified Taxonomy reporting will apply in 2026 for FY2025 reporting or in 2027 for FY2026 reporting.
- **The impact of such measures on large companies is limited**, whereas a broader simplification effort should be extended to all market participants.
- **Key shortcomings of the Taxonomy remain unaddressed**, such as the reporting of the CapEx KPI or long-standing concerns around the Technical Screening Criteria (TSC). Regarding the latter, and



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rather than addressing these concerns, recent proposals from the Platform on Sustainable Finance to revise the Climate Delegated Act – particularly regarding energy-related thresholds and bioenergy activities – risk further undermining the Taxonomy's usability and the competitiveness of EU industries.

- **The Taxonomy continues to face significant usability issues, remains incomplete, and fails to adequately incentivise companies engaged in transitional activities**. In light of these issues, a broader discussion on the possibility of making the Taxonomy optional for all large companies subject to CSRD reporting should be initiated, especially with the improvements to the CSRD that could be achieved with the Omnibus package.

## On the Corporate Sustainability Due Diligence Directive (CS3D)

### 1. The focus on direct business partners is positive, but indirect obligations remain vague

**Eurogas supports the limitation of due diligence obligations to direct business partners** under Article 8 of the CS3D ('Tier 1'), as this approach allows companies to focus their efforts where they have the most control. However, the obligation to extend due diligence to indirect partners based on **'plausible information' remains vague**. First, neither CS3D nor relevant international standards define what 'plausible information' is. Second, unlike the German Due Diligence Act, the CS3D lacks a clear prioritisation framework, making it challenging for companies to determine when action beyond Tier 1 is required. Third, a definition of 'artificial arrangement' is lacking when referring to 'the nature of relationship with the business partner'. Fourth, it is unclear if companies should – in any case – ensure the business partners' compliance with the company's code of conduct by establishing corresponding contractual assurances.

Therefore, we recommend the EC to provide:

- A clear **definition of 'plausible information'**. A useful reference can be found in Regulation (EU) 2024/3015 on *prohibiting products made with forced labour on the Union market*, which includes the concept of 'substantiated concern' i.e., concern based on 'factual, verifiable, and based on objective circumstances' (Article 2(16)).
- A clarification on the notion of **'artificial arrangement'**.
- Guidance on **prioritisation**, **conditions for extending due diligence beyond tier 1**, and the use of **contractual assurances** on **code of conduct** compliance.

### 2. Amendments to Climate Transition Plans do not deliver the needed legal clarity

While we acknowledge the EC's intention to enhance clarity of **Article 22**, **the proposed amendments fall short** of addressing the key concerns related to transition plans, including:

- The removal of the phrase 'putting into effect' from Article 22(1) does little to reduce ambiguity. The term **'implementation actions' is equally vague**, and the **'best effort'** obligation **lack clarity** both legally and practically. Furthermore, in the **absence of a recognised benchmark** for assessing alignment with a 1.5°C trajectory, companies cannot be certain on what constitutes compliance.



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- Additional critical issues related to climate plans but beyond Article 22 remain unaddressed, particularly the **broad powers granted to national supervisory authorities** to monitor and potentially intervene in the 'design' of transition plans (Article 25(1)).

Transition plan disclosure requirements already exist under several EU instruments (e.g., CSRD, EU ETS, and IED). Despite the proposed amendments, we remain of the view that introducing a parallel obligation under the CS3D would only create unnecessary complexity without improving transparency or accountability. As such, **climate transition plan requirements should remain solely within the CSRD framework, and Article 22 of CS3D should be deleted.**

## 3. The removal of mandatory business termination reflects a more pragmatic approach to supply chain management

Eurogas **supports the removal of the mandatory requirement to terminate business relationships as a measure of last resort.** This pragmatic approach more accurately reflects the complex realities of supply chains, where companies often rely on many suppliers operating at various tiers and locations within the supply chain. Importantly, the ability to maintain engagement with suppliers during suspension, and to use increased leverage to address the issues, represents a more effective and balanced path towards responsible supply chain management**.** To ensure level playing field across Europe, **this new approach should also be reflected under Article 4 of CS3D on harmonised provisions.**

## 4. Revisions to EU-wide civil liability rules are positive, but additional adjustments are needed

**Eurogas welcomes the removal of the EU-wide civil liability provisions.** Amendments to Article 29 of CS3D ensures a more balanced approach by harmonising European due diligence obligations with national legal systems, while avoiding a one-size-fits-all EU regime.

However, **there are elements around liability that need further adjustments** as they are inconsistent with the decision to eliminate the EU-wide Liability regime. For example, provisions on **availability of evidence** (Article 29, paragraph 3, point e) **risks favouring claimants disproportionately**, increasing litigation risks significantly. This is particularly concerning in cases involving commercially sensitive information. Moreover, the **deletion of Article 29(1)**, which stated that a company cannot be held liable if the damage was caused solely by its business partners in its chain of activities, **should be reconsidered**. We support the reinstatement of provisions that **appropriately limit corporate liability for harm caused exclusively by business partners** in the value chain.

## 5. Lack of clarity in Article 9 on the prioritisation and prevention of adverse impacts might result in inconsistent implementation

**Article 9 of the CS3D** on the prioritisation of identified actual and potential adverse impacts **was not addressed** in the Omnibus proposal, despite several aspects require clarification from the EC. In this context, we urge the EC to:



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- **Define what is meant by 'reasonable time'** for addressing the most severe and likely adverse impacts.
- Clarify how companies should **assess severity and likelihood of adverse impacts**.
- Offer specific guidance on **enhanced prevention action plans**, especially in relation to systemic risks.

## 6. Narrower stakeholder definition is welcome, but consistency is lacking throughout the text

**Eurogas supports the narrowing of the definition of 'stakeholder'** in Article 3 of the CS3D to individuals and communities whose rights or interests are or could be directly affected. This clarification helps to define a more precise scope of accountability. To ensure a level playing field across Europe, this new definition should be also covered by Article 4.

While the definition has been amended, **no corresponding changes have not been made to Articles 14 and 26, of the CS3D**, which continue to present concerns.

**Article 14 on notification mechanisms and complaints procedures still allows a too broad range of stakeholders** to raise concerns about actual or potential adverse impacts. The current formulation risks creating legal uncertainty and imposing disproportionate obligations for companies, particularly when the alleged impacts are speculative or remote.

**Similarly, Article 26 on substantiated concerns exacerbates this issue by granting broad access to redress mechanisms** without a clear requirement for a legitimate interest or a direct connection to the harm. This might open the door for misuse or overreach. To avoid unnecessary proceedings that could place excessive burdens on public authorities, the scope of Art. 26 should be limited to substantiated concerns only pertaining to due diligence issues. A **legitimate interest requirement** should be introduced in complaints mechanisms, whereas the obligations of subsidiaries should be clearly defined.

## 7. The removal of the minimum fine cap is welcomed, but further guidance is needed to ensure consistent implementation across Member States

**Eurogas welcomes the removal of the fixed minimum cap for fines of 5%** of a company's net worldwide turnover, as it introduces greater flexibility into the enforcement framework. At the same time, this enhanced flexibility may lead to diverging approaches among Member States, potentially creating legal uncertainty for companies operating across borders. Differences in national enforcement practices could complicate compliance efforts and long-term planning. **Eurogas therefore encourages policymakers to establish a clearly defined maximum cap on fines** to ensure adequate risk management for companies, and to **provide further guidance** to support a harmonised and predictable application of sanctions across the EU. For these same reasons, provisions on penalties should be included within the scope of Article 4.

## 8. Greater efforts are needed to avoid fragmented implementation of Due Diligence obligations across the EU

As a Directive, **the CS3D carries the risk of fragmented and unaligned implementation**, potentially undermining the competitiveness of EU industries, particularly those operating across borders and in



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relation to non-EU competitors. To help mitigate this, the EC has proposed expanding the scope of Article 4 of the CS3D to include provisions such as the identification duty, the duties to address adverse impacts that have been or should have been identified, and the duty to provide for a complaints and notification mechanism. While this is a step in the right direction, **it remains insufficient to avoid fragmentation** across the EU upon implementation.

Therefore, to ensure greater consistency, **the scope of Article 4 should be further extended** to include additional provisions such as those on the definition of stakeholders (Article 3), meaningful engagement with stakeholders (Article 13), minimum and maximum penalties for non-compliance (Article 27), the extended monitoring interval from one to five years (Article 15), business termination for actual and potential adverse impact (Articles 10 and 11) and civil liability (Article 29).



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