03 June 2026

Eurogas Position on the Revised European Sustainability Reporting Standards (ESRS)

Eurogas welcomes the efforts by EFRAG and the European Commission to simplify the ESRS. The revised standards are overall clearer and better structured, with some improvements.

In particular, Eurogas supports:

- The introduction of the concept of "reasonable and supportable information that is available without undue cost or effort",
- The explicit recognition of "undue cost"
- A stronger emphasis on decision-useful information.

These are positive steps towards practical implementation and more effective audit discussions.

However, despite these improvements, the overall reporting burden for in-scope companies remains largely unchanged. Simplifications are limited in practice, and significant challenges persist. Further adjustments are required to ensure proportionality, clarity, and operational feasibility.

Eurogas underlines that it provided numerous specific recommendations in its paper addressing the EFRAG proposal [Eurogas Position on EFRAG Revised ESRS], and aims with this document to highlight the issues of highest priority in the Commission proposal.

1. Reporting boundaries

Eurogas welcomes the increased flexibility between financial control and operational control approaches. This better reflects how companies manage environmental risks in practice and aligns reporting with internal management systems and operational realities.

Recommendation:
• **Maintain optionality between financial and operational control, with priority on financial control** • **Extend the optionality between financial and operational control approach to all environmental standards**

2. Anticipated Financial Effects (AFE)

While the introduction of relief mechanisms is noted, the requirement remains premature and operationally challenging. The continued emphasis on quantitative estimates creates high uncertainty, risk of misleading precision, and significant implementation challenges, particularly at asset level. These requirements are not yet supported by sufficiently mature or harmonised methodologies.

In addition, inconsistencies in phase-in timelines (e.g. **para. 125(b)**) undermine legal certainty and coherence. If retained, all AFE disclosures should follow a uniform transition timeline.

Disclosure requirements under **E1-11 (paras. 39–40)** continue to demand detailed monetised information (assets, revenues, time horizons), increasing complexity without clear added value. The mandatory use of a 1.5°C scenario also risks misrepresenting risks for internationally diversified companies.

Further, requirements such as **para. 40(c)** (collateralized real estate assets by energy class) appear designed for financial institutions and are unclear for non-financial undertakings.

Recommendation: If AFE disclosures are to be maintained; the following recommendations should at least be considered:

- Prioritise **qualitative disclosures**
- Make **quantitative disclosure voluntary**
- Introduce mandatory reporting only once robust, harmonised methodologies are established
- Apply a **single phase-in timeline for all AFE disclosures**
- Provide clear **sector-specific implementation guidance**

3. Fair presentation principle

Eurogas welcomes the explicit introduction of the fair presentation principle as a guiding element of sustainability reporting, as it supports a faithful and comprehensive representation of sustainability performance. Yet, the concept remains complex and open to interpretation, particularly in the context of limited assurance. There is a risk that it could be interpreted as going beyond a principle-based approach, thereby creating additional uncertainty in audit practices.

Recommendation:

- Retain the concept but provide **clear guidance and concrete examples of its application**
- Explicitly confirm alignment with a principle-based approach and limited assurance

4. Value chain reporting

The inclusion of upstream and downstream value chain information remains one of the most challenging aspects. Companies face difficulties in both defining boundaries and thresholds and collecting reliable data (especially from SMEs and non-EU partners).

Recommendation:

- **Introduce clear thresholds and proportionality criteria**
- **Provide practical implementation guidance**
- **Ensure alignment with other EU legislations**

5. Environmental Standards (E1-E5)

Eurogas is concerned that the Commission has maintained the new mandatory datapoints proposed by EFRAG that are not necessary and risk undermining the objective of simplification. These additions are likely to increase reporting complexity and administrative burden without delivering proportionate benefits for users.

Furthermore, Eurogas considers that the disclosure requirements on substances of concern (SOCs) and substances of very high concern (SVHCs) impose a disproportionate burden with limited decision-usefulness. These requirements are complex to implement, overlap with existing frameworks such as REACH, and may lead to double counting and inconsistent data.

Recommendation: **Remove or significantly simplify these disclosure requirements**, allowing companies to focus on material and relevant information

GHG Emissions E1-8 (Scope 1, 2 and 3)

Eurogas notes that the requirement under **ESRS E1-8 para.30(c)(ii)** lacks clarity, as the notion of "other emissions excluded" is not sufficiently defined. In particular, for undertakings applying a financial control approach as set out in AR 19, emissions are already aligned with the consolidated accounting scope, making it unclear which additional emissions should be reported under this category.

In the absence of clear criteria or methodological guidance, this requirement risks leading to inconsistent interpretations and reduced comparability across undertakings, while creating additional uncertainty in the reporting and assurance process.

Recommendation: **Clarify which excluded emissions should be reported and/or define clear criteria for their identification**

GHG Emissions and acceptance of Mass Balance (Scope 1, 2, 3)

The ESRS only provides limited clarity on how mass balance methodologies can be applied to GHG emission reductions. Indeed, they are only recognised for Scope 2, while Scope 1 and 3 cannot benefit from the recognition of market-based instruments.

This creates uncertainty for companies using renewable and low-carbon fuels. This lack of recognition risks discouraging the uptake of alternative fuels in hard-to-abate sectors. Therefore, an explicit recognition of mass balance instruments across scopes is recommended.

Recommendation: **Explicitly recognise the mass balance approach for Scope 1 and 3 emissions**, not only Scope 2, to align with the ongoing developments of the GHG Protocol and the Renewable Energy Directive.

Proposed amendments: Introduce an application requirement under E1 to allow use of mass balance for transport-related Scope 1, 2 and 3 emissions, and include a clear definition of "mass balance" in the ESRS glossary.

AR 24 for para. 30(a)(iii) (Scope 3 emissions reporting)	Scope 1, 2 and 3 GHG emissions may account for emissions savings associated with the use of renewable and low carbon fuels produced under a mass balance method meeting the requirements of **Directive (EU) 2023/2413.**

Glossary: Mass balance method	A chain-of-custody model under which renewable or low-carbon fuel volumes may be mixed with conventional fuels, while their environmental attributes are allocated through a certification system that ensures traceability and verifiability of renewable attributes in accordance with Article 30 of **Directive (EU) 2023/2413.**

GHG Emissions from purchased cloud computing and data centre services (Scope 3)

We question the introduction of the new subcategory under Scope 3 Category 1 "Purchased cloud computing and data centre services". This subcategory is not foreseen under the current GHG Protocol, which serves as the primary reference framework for carbon footprint calculations, where such services are already captured within the broader Category 1 "Purchased goods and services."

Eurogas does not see a clear justification or added value in further disaggregating this category. On the contrary, this change would create practical challenges, requiring companies to adjust existing methodologies and making it difficult to isolate this type of cost item in practice.

Recommendation: **Remove this additional subcategory** to ensure consistency with the GHG Protocol and avoid unnecessary complexity in Scope 3 reporting

6. Social standards

Workforce reporting (ESRS S1-5 & S1-7)

As highlighted in our previous position, the use of a "top 10 countries" approach under **ESRS S1-5 para. 20(b)** increases the scope of disclosures compared to the previous 10% threshold. This expanded scope is carried through to **ESRS S1-7 requirements**, thereby amplifying the burden. As a result, the proposed simplification may, in practice, lead to increased reporting burden across workforce-related disclosures.

Recommendation: **Revert to the 10% threshold**

Human rights and Work-related incidents (ESRS S1-16)

Eurogas welcomes the introduction of the concept of *"substantiated incidents"*, which improves clarity compared to previous formulations.

However, the inclusion of *ongoing or unconfirmed cases* significantly broadens the scope of disclosure and raises practical and legal concerns. Such cases are inherently uncertain and may evolve over time, creating risks of inconsistent reporting, reputational exposure, and lack of comparability across undertakings. It also introduces a risk of divergence with existing legal and compliance frameworks, which typically rely on confirmed findings.

Similarly, the revised definition in the Glossary (ESRS Annex II) of "recordable work-related accident" (i.e. *a discrete occurrence in the course of work which leads to physical or mental harm. Such an occurrence is recordable if it results in death or more than three days of absence from work*) raises concerns. This approach may conflict with existing national or sector-specific reporting standards, introduce inconsistencies across reporting periods or lead to divergent interpretations between companies.

Overall, these changes risk reducing comparability rather than enhancing it.

Recommendation:

- Limit disclosures to **confirmed and substantiated cases only**, in alignment with established frameworks, including EU Taxonomy minimum safeguards and international standards (e.g. UN Guiding Principles on Business and Human Rights)
- Avoid inclusion of ongoing/initiated cases where outcomes remain uncertain
- Revert to the existing definition of "recordable work-related injury or ill health" as per the current ESRS

Pay Gap Disclosures

The requirement to disclose the ratio between the highest-paid individual and the median remuneration is of limited relevance for globally operating companies. Differences across geographies significantly distort the metric and limit its usefulness.

As a result, the indicator may not accurately reflect internal pay inequalities but rather external geographic disparities. This undermines its comparability across companies and reduces its value for stakeholders.

Recommendation: **Allow the use of average remuneration** instead of median

Disclosure of fines, penalties and compensation (human rights & discrimination)

The linkage with financial statements continues to raise interpretation challenges and may create inconsistencies in reporting. It is not always clear how these disclosures should align with existing financial reporting requirements and thresholds. This creates uncertainty regarding scope and comparability.

Recommendation:

- **Clarify scope and interaction with financial reporting**
- Ensure proportionality and consistency across frameworks