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# Impacts for US Companies of the Proposed EU Omnibus Package

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On February 26, 2025, the European Commission (Commission) published a proposed 'Omnibus package' to streamline some of the recently adopted European Union (EU) sustainability laws. The laws in scope of the proposed Omnibus package are the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Regulation, the Corporate Sustainability Due Diligence Directive (CSDDD) and the Carbon Border Adjustment Mechanism (CBAM).

The Omnibus package is a legislative proposal and could still change before being adopted. It will now pass to the European Parliament and member states in the European Council for negotiation. Both the Parliament and the Council have the power to amend any of the provisions in the proposal. This is worth tracking closely for US companies that are in scope of these laws since it could have a significant impact on their EU legal compliance obligations.

Below are some key takeaways from the Commission's proposed Omnibus package and its potential impacts for US companies preparing for compliance with key EU sustainability laws.

## Proposed changes to the CSRD

If the Omnibus package is adopted without further amendments, the proposed changes to the EU's CSRD would have significant implications for all but the largest companies currently preparing for compliance. The current text of the CSRD has already been implemented in the national laws of most member states, and many US companies have already started preparing to report for financial years starting on or after January 1, 2025. The Omnibus package also includes a separate proposal to fast-track a two-year 'stop-the-clock' delay to CSRD reporting requirements applicable to those companies in scope from financial year 2025 onwards. In spite of this, these proposed changes create a considerable amount of legal uncertainty for US companies operating in the EU.

Key proposed changes include:

- **New scoping thresholds taking many companies out of scope.** The Commission proposes raising the reporting threshold to more closely align with the CSDDD. If adopted, this could have a significant impact on many US companies and may mean that they would no longer find themselves in scope of the CSRD.

| | Current thresholds | Proposed thresholds |
|---|---|---|
| **EU companies/groups** | EU entities exceeding at least **two** of the following three thresholds:<br>◦ Balance sheet total: **25 million euros**<br>◦ Worldwide net turnover: **50 million euros**<br>◦ Number of employees: **250** | EU entities with **1,000 employees** and exceeding **one** of the following two thresholds:<br>◦ Balance sheet total: **25 million euro**<br>◦ Worldwide net turnover: **50 million euros** |
| **Non-EU ultimate parent companies** | Ultimate parent companies that both:<br>◦ Generate, in the EU, at the group level, a net turnover of at least **150 million euros**<br>◦ Have at least one subsidiary in the EU that is itself covered by the CSRD or a branch in the EU that generated a net turnover of **40 million euros** | Ultimate parent companies that both:<br>◦ Generate, in the EU, at the group level, a net turnover of at least **450 million euros**<br>◦ Have at least one large EU subsidiar (i.e., those exceeding two out of thre of: balance sheet of 25 million euros and/or turnover of 50 million and/or 250 employees) or a branch in the EU that generated a net turnover of **50 million euros** |

These new proposed thresholds would also apply to companies listed on EU regulated markets, credit institutions and insurance undertakings if the proposed Omnibus package becomes law.

- **Higher scoping thresholds introduced for EU taxonomy reporting.** If the Omnibus package is adopted as proposed, only in-scope EU companies or groups with a net turnover exceeding 450 million euros will be required to disclose taxonomy information. Those EU companies or groups in scope of the CSRD with turnovers below this threshold would only be required to disclose specific data points (e.g., proportion of turnover derived from environmentally sustainable activities) if they make certain claims about the sustainability of their activities.
- **New value chain reporting restrictions.** Currently, companies are required to report information on their own operations and subsidiaries, as well as on their upstream and downstream value chains. This is subject to grace periods for the first three reporting cycles. If the Omnibus package is adopted as proposed, CSRD reporters should not seek to obtain information from those in their value chain that are not themselves in scope of the CSRD, beyond the information specified in new 'voluntary' standards (to be adopted by the Commission), which will be based on the VSME standard (Voluntary Sustainable Reporting Standard for nonlisted SMEs) developed by the European Financial Reporting Advisory Group (EFRAG).
- **No delay to assurance requirements.** CSRD reporting is currently subject to limited assurance. The Omnibus package does not propose delaying the limited assurance requirement, outside of the general stop-the-clock delay of two years. However, to address the issue of excessive assurance activities noted by the first wave of companies subject to CSRD reporting, the Commission plans to issue targeted assurance guidelines to clarify the necessary procedures that assurance providers are to perform as part of their limited assurance engagement before adopting limited assurance standards (expected October 1, 2026).
- **No move to reasonable assurance.** The Commission is currently required to adopt reasonable assurance standards no later than October 1, 2028, following an assessment to determine if reasonable assurance is feasible for companies. If adopted as proposed, the Omnibus package would remove this requirement, meaning that no reasonable assurance standards will be adopted, and the assurance over CSRD reports will stay as limited assurance.
- **Double materiality remains unchanged.** Despite speculation of a possible reversion to financial materiality, if adopted as proposed, the Omnibus package would not remove the double materiality requirement. Companies would continue to need to evaluate both the financial effects of sustainability matters on the company and the company's impacts on society and the environment.

- **Possible changes to the ESRS.** The Commission also proposes to revise the EU regulation on the European Sustainability Reporting Standards (ESRS). The Commission has said that it will aim to adopt the revised ESRS delegated act in time for those undertakings in the second wave that would be required to start reporting under the CSRD for financial year 2027 (previously financial year 2025) to apply the revised standards.
- **No sector-specific standards.** Sector-specific reporting standards were due to be adopted by June 30, 2026. The proposed Omnibus package would remove this, meaning no sector-specific standards will be adopted, and companies will need to continue to assess the need for and disclose additional entity-specific disclosures when the material sustainability matter is not covered by one of the ESRS or is covered with insufficient granularity.

Separately, the Commission has committed to revising the current ESRS to reduce the number of data points required. However, the proposed Omnibus directive does not currently revise the range of sustainability topics covered by the ESRS and mandated in the CSRD.

# Proposed changes to the CSDDD

The current CSDDD is set to start to apply to the first wave of US and other companies from July 26, 2027. Unlike the CSRD, the CSDDD has not yet been implemented into the national law of any of the EU member states. If the proposed Omnibus package is adopted without amendments, the **scoping thresholds would remain the same**, meaning that companies that already assessed themselves as subject to the CSDDD will likely remain in scope.

- **One-year stop to the clock.** There would be a delay to the current transposition deadline to 26 July 2027, and the first wave of application to 26 July 2028. This would give the largest US companies in scope of the CSDDD an additional year to prepare for compliance.
- **Modifying the climate transition plan requirement.** Companies will no longer be required to 'put into effect' a climate transition plan; instead, they will only need to adopt a climate transition plan that must now include implementing actions which aim to ensure, through best efforts, the limiting of global warming to 1.5 degrees Celsius in line with the Paris Agreement. As is currently the case, companies that already have a climate transition plan that they are reporting under the CSRD are exempt from the obligation to adopt a new transition plan.
- **Focus on direct suppliers.** Under the existing CSDDD, as part of the due diligence obligation, companies are required to map their entire supply chain and identify where adverse impacts are most likely to occur and to be most severe, even if this is with indirect suppliers. If the Omnibus package is adopted as proposed, the requirement to map the entire supply chain would remain, as would the need for cascading contractual clauses. However, in-depth assessments would only need to focus on the company's own operations, those of its subsidiaries, and those of its direct suppliers, unless the company has plausible information that suggests an adverse impact has or may arise in the operations of an indirect business partner. If the assessment confirms the likelihood of a potential or actual adverse impact, this would still trigger obligations to address the impact.
- **Limitations to information requests.** The proposal limits the information companies should request when mapping their value chain from suppliers with fewer than 500 employees to the disclosure requirements contained in a new set of voluntary sustainability standards, based on EFRAG's VSME standard, that the Commission would be required to adopt. However, companies may nonetheless need to make requests to their value chain partners for their compliance with other pieces of EU legislation that are not being amended – such as the EU Batteries Regulation and the EU Forced Labour Regulation.
- **Deleting the obligation to terminate as a last resort.** The CSDDD currently requires companies, where efforts to prevent or mitigate have been unsuccessful, to terminate their business relationships in certain circumstances as a last resort. If the Omnibus package is adopted as proposed, companies would still be required to refrain from entering into new or extending existing relations with the relevant business partner, but would only be required to suspend business relationships with respect to the activities concerned, and also would be exempt from civil liability for continued engagement with a supplier if there is a reasonable expectation that an enhanced prevention action plan could succeed.
- **Reducing the frequency of monitoring assessments from one year to five years.** Under the CSDDD, companies are currently required to carry out annual assessments to monitor the effectiveness of their due diligence processes. If the Omnibus package is adopted as proposed, these assessments would only need to be carried out 'at least every 5 years'. However, ad hoc assessments would still be necessary whenever there are reasonable grounds to believe that measures in place are no longer adequate or effective, or that new risks have arisen.

- **Limiting stakeholder engagement.** The number of points during the due diligence process at which companies must consult with stakeholders would be reduced. If the Omnibus package is adopted as proposed, it would remove the requirement for stakeholder consultation when disengaging from a business relationship or developing indicators for due diligence monitoring. It also is clarified that only relevant stakeholders need to be engaged – i.e., those that have a link to the specific stage of the due diligence process being carried out. The draft would simplify the term 'stakeholder', removing the need to engage with national human rights and environmental institutions and civil society organizations. As proposed, companies would still be required to engage with their employees, the employees of their direct and indirect business partners, and those individuals or communities whose rights or interests are or could be directly affected.
- **Greater discretion on enforcement given to member states.** The current CSDDD is prescriptive on penalties for noncompliance. It requires penalties to be based on a company's worldwide turnover, and that if a member state chose to set a maximum penalty, this cap is at least 5% of the company's worldwide turnover. If the Omnibus package is adopted as proposed, member states would still be required to establish penalties for noncompliance that are effective, proportionate and dissuasive, but would no longer be required to link penalties to turnover, giving them more discretion. Enforcement bodies will be guided on appropriate penalties by new guidelines promised by the Commission.
- **Removal of the EU-wide civil liability regime.** The CSDDD currently requires member states to ensure that they have a civil liability regime in place, so that companies can be held accountable where failures to comply with their due diligence obligations lead to damage. If the Omnibus package is adopted as proposed, this requirement would be removed, leaving decisions on potential civil liability up to the individual member states. Member states will also no longer be required to allow nongovernmental organizations and unions to bring representative actions on behalf of injured parties (although they may provide for this possibility). We anticipate that this could lead to companies forum shopping for jurisdictions where penalties are less strict in order to reduce potential exposure.
- **Potentially exempting from liability those companies who relied on third-party verification, contractual clauses, or industry or multi-stakeholder initiatives to satisfy their due diligence obligations.** Currently, the CSDDD maintains that companies that have participated in industry or multi-stakeholder initiatives, or used third-party verification or contractual clauses to support the implementation of due diligence obligations, may nevertheless be held liable if there is a noncompliance with the CSDDD. If the Omnibus package is adopted as proposed, liability in such circumstances would instead be left to the discretion of each member state.
- **Greater EU-level harmonization of the requirements.** If the Omnibus package is adopted as proposed, the EU member states could no longer adopt stricter national rules relating to the core due diligence requirements of the CSDDD. This will make it easier for US companies who operate across many EU countries to understand their legal obligations.
- **Financial services and investment activities will no longer come in scope.** The Commission has proposed to remove the obligation to consider the need for due diligence rules for financial services and investment activities in the future.

# Proposed changes to CBAM

The draft amendments to CBAM are included in a separate amending regulation. The key change proposed is the **introduction of a new exemption for small importers.** The Commission has proposed introducing a new CBAM cumulative annual threshold of 50 metric tons per importer, which is expected to take approximately 90% of companies out of scope.

However, the Commission also confirmed its intention to extend the scope of CBAM to other sectors covered by the existing emissions trading scheme, as well as downstream goods, with a legislative proposal expected as early as 2026.

# What next?

The legislative proposals are now subject to the ordinary legislative procedure. The Commission has asked the European Parliament and European Council to fast-track this Omnibus package, without reopening other parts of the legislation. However, once the legislative process has started, the Commission will have limited control over whether the Parliament and Council decide to propose other changes to the legislation. This means that a smooth adoption of the proposed changes is not guaranteed. Additional amendments or even new requirements are still possible.

The omnibus amending the CSRD and CSDDD is a directive, meaning that even if agreed and adopted expeditiously, member states have 12 months to transpose the omnibus text into their national law.

Until the proposed 'stop-the-clock' delay has been adopted, for US and other companies that are in scope of the CSRD, this raises difficult questions of whether to continue preparing for compliance under the current version of the CSRD, or take a gamble on the changes coming into effect before the financial year 2025 disclosure obligation starts to bite.

See the texts of the proposed "stop-the-clock" and the Omnibus directive amending the CSRD and CSDDD, among others. See also the Commission's press release on the proposal and the corresponding Omnibus Q&A.

If you have any questions or would like support understanding the implications of this first Omnibus package, please contact a member of Cooley's international ESG and sustainability advisory team.

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# Key Contacts



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|---|---|
| **Emma Bichet**<br>**Brussels** | **ebichet@cooley.com**<br>**+32 2 486 7543** |
| Jack Eastwood<br>London | jeastwood@cooley.com<br>+44 (0) 20 7556 4372 |



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