Institut Veblen pour les réformes économiques

Policy brief

Omnibus package: going against Europe's economic interests

Veblen Institute recommendations for the European Parliament

Margaux Falise, advocacy officer on financial regulation at the Veblen Institute

Wojtek Kalinowski, co-director of the Veblen Institute

April 2025

The Veblen Institute works with economists, companies and researchers from all horizons on European economic policies dedicated to strategic autonomy and ecological transition.

This note was produced with the support of:

Jézabel Couppey-Soubeyran, economist and lecturer at the University of Paris 1 Panthéon-Sorbonne

Anne Faivre, member of the College of experts of the Veblen Institute.

Contact: falise@veblen-institute.org

EXECUTIVE SUMMARY: WHAT ARE CSRD AND CS3D CRITISED FOR?

- **Weakening competitiveness and investment in Europe?**

Yet the European Commission had recognised a positive correlation between competitiveness and sustainability. The goal of the CSRD is precisely to shed light on this link by integrating it directly in accounting teams and managers' in the private sector. In addition, the omnibus provides €5 billion in savings on compliance costs, while not taking the energy transition seriously could eventually cost us €36.5 trillion in economic damage - twice as much as the market capitalisation of all EU companies. True competitiveness is that which is based on a rapid and assured transformation of our economy. The one that lifts the economic burden that climate risk represents.

On the international scene, these regulations do not weaken us: companies, when setting up in a new country, take more into account the risks associated with climate change and geopolitical risks than the regulations in force. Maintaining the ambition of our laws is therefore a strong political act and more necessary than ever.

- **Being an administrative burden for companies?**

Yet, but 80% of them are in favour of maintaining the text and 72% of them are in favour of the creation of sectoral standards. More of them are calling for *increased* support from the regulator to implement the CSRD, than to weaken its ambition. The 1% of European companies that will have to comply spend between 0.005% and 0.1% of their turnover on compliance, the aim of which is to avoid a global financial and economic crisis and to finance the emergence of European champions who will have been able to get ahead in the new strategic sectors.

- **Being too complex and impossible to understand?**

Yet the French banks themselves pleaded during the previous term for more comprehensive reporting. They pointed to the need to provide comparable and standardized data in double materiality to properly manage their organization. In a tense, chaotic and uncertain international context, the time has come for pragmatism. We must listen to companies, the vast majority of which want the text and an ambitious Green Deal to be maintained, allowing them to make strategic decisions, to strengthen their model regarding the increasingly present climate risks, to innovate and to capture the financing necessary for their growth.

Moreover, the European Commission acknowledges that it has not been able to carry out an analysis of the consequences of the legislation on the private sector, as the two texts have not yet fully entered into force. Thus, legislative proposals are based almost exclusively on the *feelings* of the economic actors they are supposed to regulate. This seems to us to be a very important shortcoming, while European legislators have undertaken to provide elements justifying the need for each legislative act, as reflected in the interinstitutional agreement on better law-making co-signed by the European Parliament. We want to correct this shortcoming by providing tangible economic elements to guide Parliament's position.

For more details, refer to the Appendix.

INTRODUCTION: ECONOMIC CHALLENGES TO LIVE UP TO OUR AMBITION

On 26 February, the European Commission published an "Omnibus" legislative package proposing the amendment of the CSRD and CS3D directives on the corporate sustainability framework. The purpose of this note is to: a) explain the limits specific to the European Commission's proposal and arguments, b) explain the position of part of the academic and economic world regarding this Omnibus, c) formulate proposals and a voting guide for MEPs.

This position paper deliberately does not deal with the Taxonomy – which is the subject of a different legislative procedure –, the Carbon Border Adjustment Mechanism – which does not fall within the authors' field of competence, nor the "Stop-the-Clock" – which has already been voted on in the European Parliament.

An internal contradiction on the link between competitiveness and sustainability

The impact assessment drawn up by the European Commission ahead of the adoption of the Due Diligence Directive (CS3D) **clearly recognises respect for social rights and the environment as a factor of competitiveness for all companies**[1]. Affirmed in the first pages of the omnibus package, this remark, although fundamental to understanding the challenges of competitiveness, is not considered subsequently, which reveals a significant gap between economic facts recognized by the Commission, and its final position. The correlation between competitiveness and sustainability is not yet the subject of sufficient attention and will only be understood when ambitious extra-financial accounting is put in place, which makes it possible to extract the necessary indicators on companies' business models: this is the essential goal of the CSRD. In the absence of such indicators, companies' business models are likely to focus on activities that increase their vulnerabilities and do not help to catch up with the powers that are making great strides towards the future, first and foremost China.

A lack of awareness of the risks for Europe's economy and autonomy

The lack of understanding of the issues and orders of magnitude concerning the cost of climate change is problematic, as this cost is *ultimately* borne by States, which pay for it by going into debt during crises, and by companies.

Climate change is the biggest threat to companies' business models. This increasingly visible crisis has already cost Europe €162 billion since 2021 alone[2]. It threatens global production and GDP[3]: **the European Commission**

[1] CS3D Impact Report: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52022SC0042

[2] Economic losses from weather- and climate-related extremes in Europe : https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related

[3] See in particular this recent study by a firm of actuaries who quantify the consequences of global warming: https://actuaries.org.uk/planetary-solvency; https://actuaries.org.uk/document-library/thought-leadership/thought-leadership-campaigns/climate-papers/planetary-solvency-risks-and-recommendations/
Here's what they see coming by 2050:
- "Likely" scenario: +2°C, more than 2 billion deaths, loss of 25% of global GDP
- "Possible" scenario: +3°C, more than 4 billion deaths, loss of 50% of global GDP

puts forward the figure of 36,500 billion euros *each year*[4] in economic losses. According to the World Economic Forum, in the sectors most exposed to physical risks, the loss of EBITDA would rise to 25% in 2050. According to Standard & Poor's, this is $1200 billion in annual damage for the largest companies on the same date[5]. Companies that invest in adaptation, decarbonization, and resilience instead see up to $19 in losses avoided for every dollar spent[6].

The 5 billion euros in savings planned thanks to the omnibus pale in comparison. *Would we be ready to earn €5 today at the cost of a debt of €36,500 later?* To make short-term savings by removing strategic obligations is to expose Europe to much heavier costs in the long term. Every euro saved today could cost thousands of euros in repairs, disasters and economic losses tomorrow. **A short-sighted economic choice that will lead to colossal losses would be unreasonable on the part of the world's leading trading power.** On the contrary, the countries that succeed in limiting costs will ultimately be the most powerful, the most competitive and the only truly productive ones.

In a geopolitical context as uncertain as ours, it is essential to strengthen Europe's robustness by avoiding the unpredictable and dangerous risks associated with climate change. Since it is "cheaper to save the world than to destroy it", urgently [7] reorienting the business models of European companies is becoming a challenge for competitiveness and strategic autonomy.

It is tempting, and legitimate, to rely on the ability of companies to self-regulate, to carry out the transition of their business models themselves. Nevertheless, these same companies say that they will not succeed without a strong regulatory framework: strategic decisions require clear visibility and support from the regulator, as well as reliable information on which to rely. 80% of French companies concerned by the CSRD want the text to be maintained; Support from the regulator to better understand the reporting is more in demand than the evolution of the content of the text[8]. This is also the position of the European Central Bank, which warns of the financial risks to which deregulation exposes us[9]. Companies don't need fewer rules, they need fewer rule *changes*. **Homogeneous and ambitious regulation guarantees the collective evolution of a sector,** reducing the risk for pioneering players. The omnibus could weaken this dynamic and **this regulatory comfort**, punishing innovators and avant-gardists unnecessarily.

A quick and effective response is needed

With this in mind, the sustainability framework - reporting and due diligence - is not a constraint; it has been designed to be <u>an alternative to constraint</u>, encouraging companies to change by harmonising accounting and transition management tools at the European level. Without these tools, companies are more inclined to see only short-term issues and thereby increasing their vulnerability.

4 Staff Working Document Accompanying the documents COM(2025) 80 - COM(2025) 81, page 2, https://commission.europa.eu/publications/omnibus-i_en
5 The study is available here: https://www.spglobal.com/esg/insights/featured/special-editorial/ceraweek-physical-risk
6 To find out more: https://www.weforum.org/publications/the-cost-of-inaction-a-ceo-guide-to-navigating-climate-risk/
7 *Ibid*.
8 To see the results of the consultation conducted by Makesense: https://make-sense.notion.site/consultationcsrd
9 Frank Elderson, vice-chairman of the ECB's supervisory board, recently warned not to repeat the mistakes that led to the 2008 crisis, and what it cost us: https://www.ft.com/content/a4210c56-bd4c-4ca9-9cc7-36dba2dd3762

We are therefore convinced that the Omnibus proposal as it stands will create *more* uncertainty and complexity than was previously contained in the texts[10] ; by removing European harmonisation provisions, by appearing uncertain because of the delay in the implementation of these texts, by creating unequal competition between pioneering companies and those that are lagging behind, thus creating the conditions for a distortion of competition, we deprive the economic world of the tools necessary for its strategic decisions.

The conclusion of our work is that logical, scientific and economic arguments argue in favour of maintaining most of the original provisions of the CSRD and the CS3D, and of simplifying the key elements for companies (data points and sectoral standards), as long as it is conducted with intelligence and pragmatism. **The requirements of these two major pieces of legislation have an extremely positive cost-benefit ratio for the private sector.** Politically, Europe cannot afford to sail blindly. Rather than weakening our regulations, let's give economic players the means to adopt them serenely. In this note, we present some concrete proposals and our analysis, point by point, of the Omnibus package.

[10] European Commissioner Wopke Hoekstra recalled this in a recent interview: ***"One of the main criticisms of companies is: stop changing course every six months."*** *"Heavy industry in particular has very long investment cycles, sometimes over decades, and you are not helped by politicians who are used to constantly changing their minds."*

DETAILED ANALYSIS

We deliberately only retain the changes that we consider to be the most important in the Omnibus package. The "Effects" column ranks each proposal on a qualitative scale based on the economic risk of the proposal.

Theme	Commission's proposal	Potential consequences	Effects	Vote
Corporate Sustainability Due Diligence Directive (CS3D)				
Impact assessment	The frequency with which companies must complete their impact report has been increased from every year to every five years.	Less monitoring also means a loss of up-to-date data to quickly adjust companies' strategies to external shocks. Conversely, an annual follow-up allows for gradual adjustments to avoid scandals or serious accidents. The European Banking Federation (EBF) surveyed its members in 2017 as part of a consultation conducted by the Commission on the impact of administrative bureaucracy: the frequency of compliance reports and exercises was not one of the issues identified[11].	High Danger	Switch to every 2 years
Transition plans	The transition plans are kept in the CSRD but the text deletes the mention that they must be "put in place" (they therefore become declarative)	The absence of an obligation to set up weakens the effectiveness of the system, reducing these plans to a simple declarative formality. This creates uncertainty for investors and stakeholders, who will no longer be able to assess the credibility of companies' climate commitments, nor distinguish between declarative commitments and concrete projects. It will become more difficult to encourage the transition of the sector, and this will most likely aggravate the economic losses linked to the ecological crisis.	Very high danger	Vote against
Sanctions	The minimum of penalties for non-compliance with the law, set at 5%, is abolished and replaced by a general principle that is relatively empty of substance	The minimum of sanctions is a clear and quantified measure, unlike the new wording which risks introducing legal uncertainty, complicating the associated legal procedures. In addition, the absence of the risk of sanctions will produce moral hazard for the companies concerned, which could increase their exposure to risk, contrary to the spirit of the text, as well as a dysfunction of the national public authorities which will have to adapt to an uncertain Community standard. Finally, it will cause divergence between Member States, at a time when we need harmonisation and cohesion. This divergence could create distortions of competition by allowing certain companies to benefit from more lenient regimes depending on the Member State in which they operate.	High Danger	Vost against
Maximum harmonization	The Commission prohibits Member States from adopting more ambitious laws on: the obligation to identify, to remedy negative impacts, to	It is neither relevant nor effective to restrict the ability of Member States to legislate on these points. The obligation to identify is a matter of information gathering and the precautionary principle: stricter national legislation would not impact other Member States and would only provide examples to follow, which is beneficial for everyone. The obligations to remedy the negative effects, to set up a complaints and notification procedure are part of a logic of responsibility and due diligence, aimed at ensuring better protection	High Danger	Vost against

[11] See the results of the consultation: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements/F3445231_en

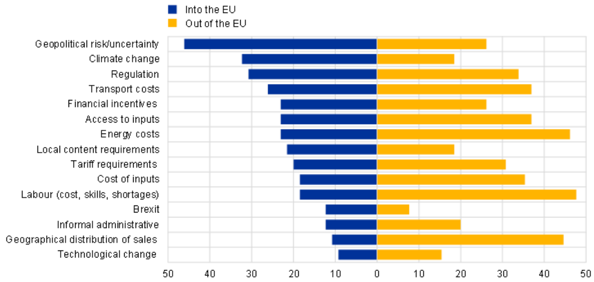
	set up a complaints procedure and a notification mechanism	of consumers and stakeholders. They do not create unjustified barriers to the internal market but rather strengthen confidence in economic trade by establishing clear transparency and redress mechanisms.		
Value chain covered	The due diligence will only apply to direct partners and not to subcontractors further "distant" in the value chain.	The wording that companies will have to undertake an investigation if they have 'plausible' information is unclear. It is likely to create legal uncertainty and complexity. Limiting them to direct suppliers will also greatly reduce the ability of companies to identify risks and threats in their value chain, which would amount to deliberately blinding them, when they need *information* to steer the implementation of their strategy.	Very high danger	Vost against
Stakeholders	The notion of "stakeholder" is reviewed and simplified; companies will be able to call only on "relevant" stakeholders	Stakeholders are best placed to provide companies with important information about risks in their value chain that they might not have identified – especially in the absence of comprehensive, annual reporting. A company may not know in advance which stakeholders are more relevant. Similarly, the definition of the term "relevant" is a matter for the interpretation of the actors, and is likely to create dissension between Member States, and between companies in the same sector. A coherent version of this article would recognise the systematic importance of civil society and specialised NGOs in the dialogue that economic actors open as part of their due diligence.	High Danger	Vost against
Civil liability	The European civil liability regime for companies is abolished	This is an attack on the objective of harmonising European standards, which should enable us to strengthen our cohesion. This measure presents a risk of distortion of competition, whereas a European civil liability regime would provide a relevant framework for managing geopolitical economic threats. This introduces divergences between Member States, with heterogeneous liability rules that complicate the compliance of companies operating at European level. Moreover, this measure does not reduce costs or the administrative burden for companies. This measure is in concrete *terms the opposite* of the simplification requested by all stakeholders.	High Danger	Vost against
Contractual relations	Companies will no longer be obliged to terminate their contractual relationship with a subcontractor in the event of abuse	The practices of "social dumping" make it possible to replace European labour, European productive activities, with cheaper competition abroad, which is detrimental to the competitiveness and independence of the European economy. These activities are often linked to social and/or environmental abuses in the countries concerned. This measure therefore institutionalizes a distortion of competition by allowing companies to artificially reduce their costs by working with less scrupulous subcontractors, without legal risk, to the detriment of the return of industries to Europe. Rather than encouraging a market where competitiveness is based on innovation and efficiency, it promotes a race to the bottom ethically, disadvantaging responsible players and distorting the economic dynamics that strengthen us.	Moderate danger	Vost against
Disputes	Member States are no longer obliged to allow victims to be legally represented by NGOs	This is once again an attack on the objective of harmonising European standards, which should enable us to strengthen our cohesion. Moreover, this measure does not reduce costs or the administrative burden for companies.	Non relevant	Abstain
Financial sector	The possibility of including the financial sector in the due diligence	This weakens the transition and risk reduction, maintaining the current direction of financial flows (credit, securities, etc.) towards projects that are not in line with European climate objectives. The inclusion of the financial sector in due diligence should be integrated	Moderate danger	Include in Omnibus debates

	(review clause planned for 2030) is removed	into the current parliamentary debates, rather than being abolished, which is a "burying its head in the sand" strategy.		
Corporate Sustainability Reporting Directive (CSRD)				
Sectoral standards	The sectoral reporting standards are being abolished *(they were still in the development phase)*	Abolishing these standards would deprive companies of a harmonised framework adapted to the specificities of their sector. This increases the risk of fragmentation and regulatory divergences between industries and countries, creating uncertainty for businesses. 72% of French companies are in favour of the introduction of sectoral standards[12]. The lack of standards will make comparisons between companies more complex, weakening transparency and investor confidence.	High Danger	Vost against
Application threshold	The threshold for application has been raised, from 250 to 1000 employees.	The harmonisation of the thresholds of the CSRD and CS3D directives is understandable and will certainly simplify the European regulatory landscape. However, companies that employ between 250 and 1000 employees should not be considered as "small" companies. There are around 20 million companies in the EU and only 50,000 are covered by the CSRD. The text already excludes all SMEs, which represent 99.8% of companies, and two-thirds of employment. The threshold for application seems to us to be relatively moderate in this respect. Moreover, as the European Commission has already planned a specific omnibus on standards for *midcaps*, intermediary companies, it seems more relevant to leave this provision in its original state so as not to duplicate and complicate the work of the European executive. A compromise could also be found halfway through.	High Danger	Set at 500
Reporting for SMEs	SME reporting therefore becomes optional (except for listed SMEs)	The risk of European SMEs lagging structurally behind in terms of transparency and sustainability in the face of international competition should be considered.	Moderate danger, bona fide requirem ent	Vote for / abstain
Insurance	Removal of the requirement for businesses to provide for the transition from limited to reasonable insurance	Abandoning the transition to reasonable insurance is a pragmatic decision that reduces the administrative burden on businesses, but it carries major economic risks. A less rigorous audit could weaken investor confidence. Insufficient reliability could foster distortions of competition, allowing opportunistic companies to thrive at the expense of those that actually invest in sustainability. To ensure an efficient and attractive market, it would be preferable to encourage a gradual move upmarket in auditing standards, giving companies the flexibility to adapt to them without hindering their growth.	Moderate danger	Vost against
Datapoints	The number of datapoints will be reduced *(more details to come)*	Excessive reduction in indicators risks impoverishing the quality of available data, limiting strategic analyses by companies and regulators. However, targeted streamlining can improve the readability of reports and reduce the administrative burden.	Relevant, subject to clear criteria	Vote for

[12] See the results of the consultation: https://make-sense.notion.site/consultationcsrd

ANNEX – Understanding criticisms behind the Omnibus package

In 2023, the European Commission issued a call for input to understand how to streamline and simplify European regulations, including *reporting* requirements. We have identified the most common criticisms and provide our answer.

ARGUMENT	ANSWER
Reporting requirements would **penalize small projects** (e.g., start-ups, SMEs, mid-caps), for whom these requirements represent a cost. At the same time, in the financial sector, the heavy requirements would force smaller banks to merge or be bought out by others to cope with them, leading to less competition within the sector and giving European citizens less diversity in banking services.	It is for this reason that the CSRD excludes, as it stands, the 99% smallest European companies - this number is even higher for the CS3D - that EFRAG is developing specific and lighter standards for them, and that the cost of reporting is estimated at only 5 to 10,000 euros according to a Senate report[13], when they are part of a value chain and must participate in the exercise. At the same time, in the financial sector, it is relatively dishonest to criticise extra-financial reporting requirements, which represent on average only 17% of the total requirements (see at the end of the table), as this sector is already highly regulated. It would therefore be more effective to look at the financial standards that have governed the sector for several years, rather than on recent rules
In the interests **of interoperability**, it would be necessary to harmonise international standards and the standards of the different EU institutions with each other. For example, those of the ISSB and EFRAG, or the differences between the requirements of the CRD Pillar III and the requirements of the SFDR.	The harmonisation of the various European texts is relevant in view of their increased complexity today. However, the proposals contained in the omnibus do not address this subject very much. For example, it would have been more effective to unify all transition plans and reporting requirements in a single form than to weaken the content of each requirement, which does not address the challenges that companies point to. As far as international standards are concerned, in our geopolitical context, it would be a weakness to model our policy on external requirements that have not been thought out in Europe's interest. A race to the bottom would be damaging insofar as it would place Europe in a position to follow; This is a bad diplomatic signal, in addition to the risk that the continent's funding will be drained outside our borders by less scrupulous economic actors, and even less constrained.
Investment **opportunities** for companies in European countries have been reduced in recent years by a multitude of cumbersome administrative procedures. Simplifying and streamlining could foster **greater competitiveness and increased capital flows** for European and global companies operating in Europe.	According to the European Central Bank, companies rely more on the physical risks of climate change and geopolitical risks than on regulation, when they decide to set up in a new country[14] :  *Fig. 1: Share of companies that rely on these reasons to set up or leave the EU* It is therefore in the interest of the European Union to present itself as a stable power, with a long-term vision, distinguishing itself all the more from American power in the context we know.

[13] Available here: https://www.senat.fr/rap/r23-327/r23-327.html
[14] Economic Bulletin of the European Central Bank, 2023 https://www.ecb.europa.eu/press/economic-bulletin/focus/2023/html/ecb.ebbox202307_01~2a0bcf0b48.en.html

	As far as investments are concerned, it is crucial to remember that an oversimplification of administrative procedures could prove counterproductive. Seeking to reduce regulation risks sacrificing the stability and legal certainty that are essential to attract serious investors.
Bureaucracy is said to be inefficient and increases **compliance costs**. In five years, the European Union has imposed 5,422 pages of additional texts and 850 new obligations on European companies. The volume of reporting under the third pillar increased by at least 20% after the integration of ESG elements.	Regarding the financial sector: when asked about these elements in 2017, the European Banking Federation acknowledges that the costs of compliance on the one hand concern regulations that have nothing to do with sustainability requirements (which therefore represent only 17% of the information to be provided to the financial sector today), and on the other hand are very difficult to measure precisely. The Federation also explains that the standardization and transparency of reporting tools improves investor protection and minimizes risk[15]. For companies in all sectors: the impact study of the CS3D carried out by the European Commission estimates compliance costs at between 0.005% and 0.1% of companies' turnover. These costs, which are more than moderate, are a reminder that reporting requirements are only a very small part of European regulation, and are perhaps the most useful, insofar as they protect companies from the deleterious consequences of climate change, by encouraging them to change in a gentle way.

[15] See the results of the consultation: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements/F3445231_en