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European Commission's Competitiveness Compass – is it the roadmap for simplification of EU sustainability regulations?

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On 29 January 2025, the European Commission published a communication on its Competitiveness Compass for the EU (*COM(2025) 30*). The Competitiveness Compass outlines the European Commission's proposed initiatives for the next five years as part of its aim to support the EU's competitiveness and to promote economic growth. In particular, the Competitiveness Compass sets out the European Commission's key projects to address the following three ''transformational imperatives'' to support with EU competitiveness (as identified in the European Commission's Competitiveness report prepared by Mario Draghi in 2024):

- closing the innovation gap;
- encouraging decarbonisation and competitiveness; and
- reducing the EU's excessive dependencies and increasing security.

One of the ways in which the European Commission seeks to address these three pillars is through simplification of the EU's current complex regulatory policies. The European Commission's key project to achieve this simplification is the introduction of its first simplification omnibus package, which will be published on 26 February 2025 (''**Omnibus Simplification Package**''). The Omnibus Simplification Package is expected to, among other things, introduce simplification measures for sustainable finance reporting, sustainability due diligence and the sustainable finance taxonomy by simplifying the following sustainability regulations:

- Corporate Sustainability Reporting Directive (''**CSRD**'');
- Corporate Sustainability Due Diligence Directive (''**CS3D**''); and
- Green Taxonomy Regulation (''**Taxonomy Regulation**'').

The aim of these simplification measures is set out to better align the regulatory requirements with investors' needs and to ensure the proportionality of timelines and regulatory requirements against the activities of different companies.

The Omnibus Simplification Package forms part of the European Commission's work towards meeting its target of reducing reporting burdens by ''at least 25% for all companies and at least 35% for SMEs''. To this extent, the Competitiveness Compass and the Omnibus Simplification Package have the potential to contribute to significant change in the EU sustainability regulatory framework.

Whilst the Competitiveness Compass is not legally binding, it is very useful insight on the direction of travel for sustainability-related reporting and compliance requirements in the EU under CSRD, CS3D and the Taxonomy Regulation.

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