green project

The 2025 Guide to European Sustainability Regulations

Stay compliant with confidence as you look ahead at the European regulatory landscape in 2025 and beyond

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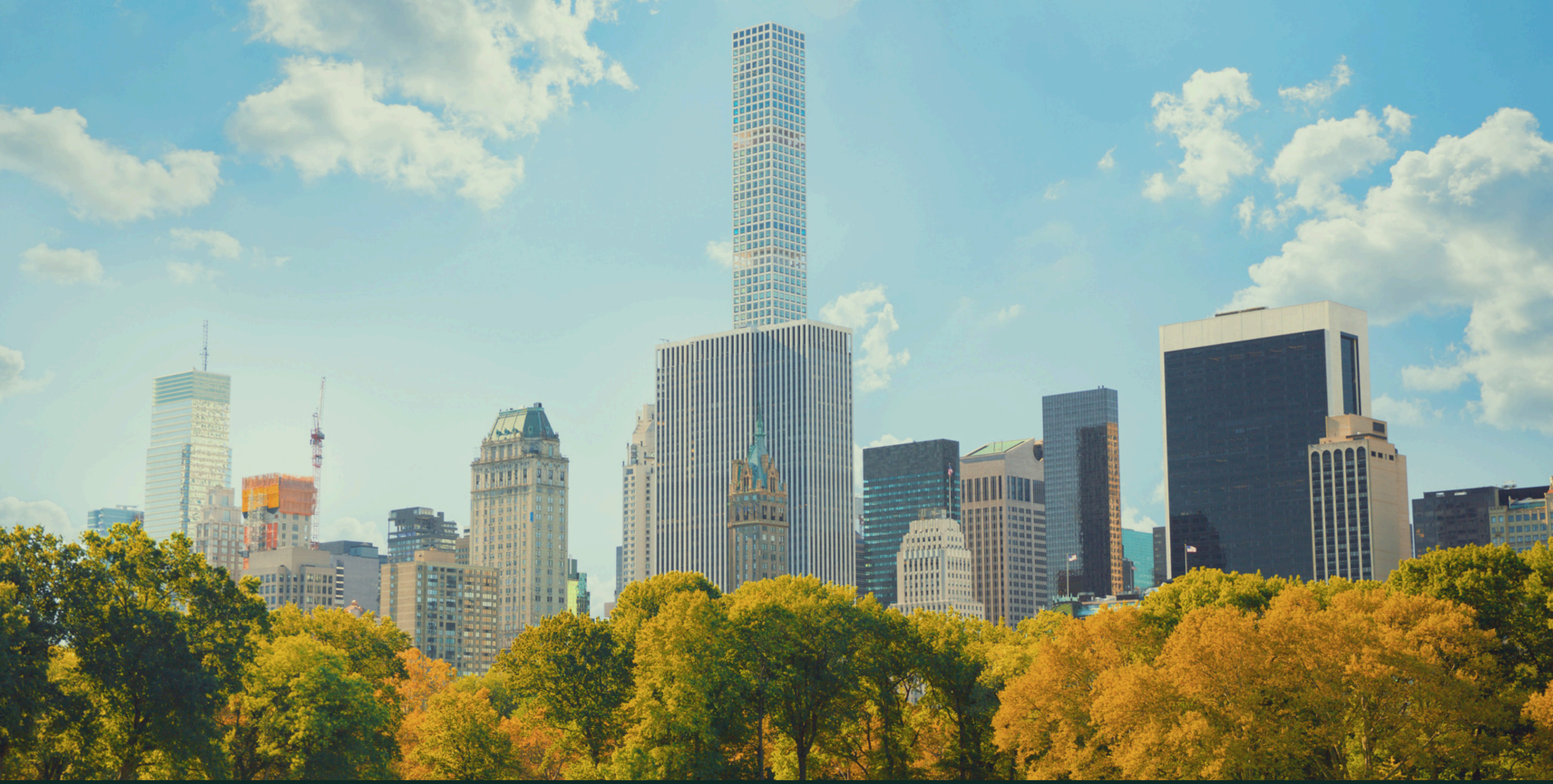


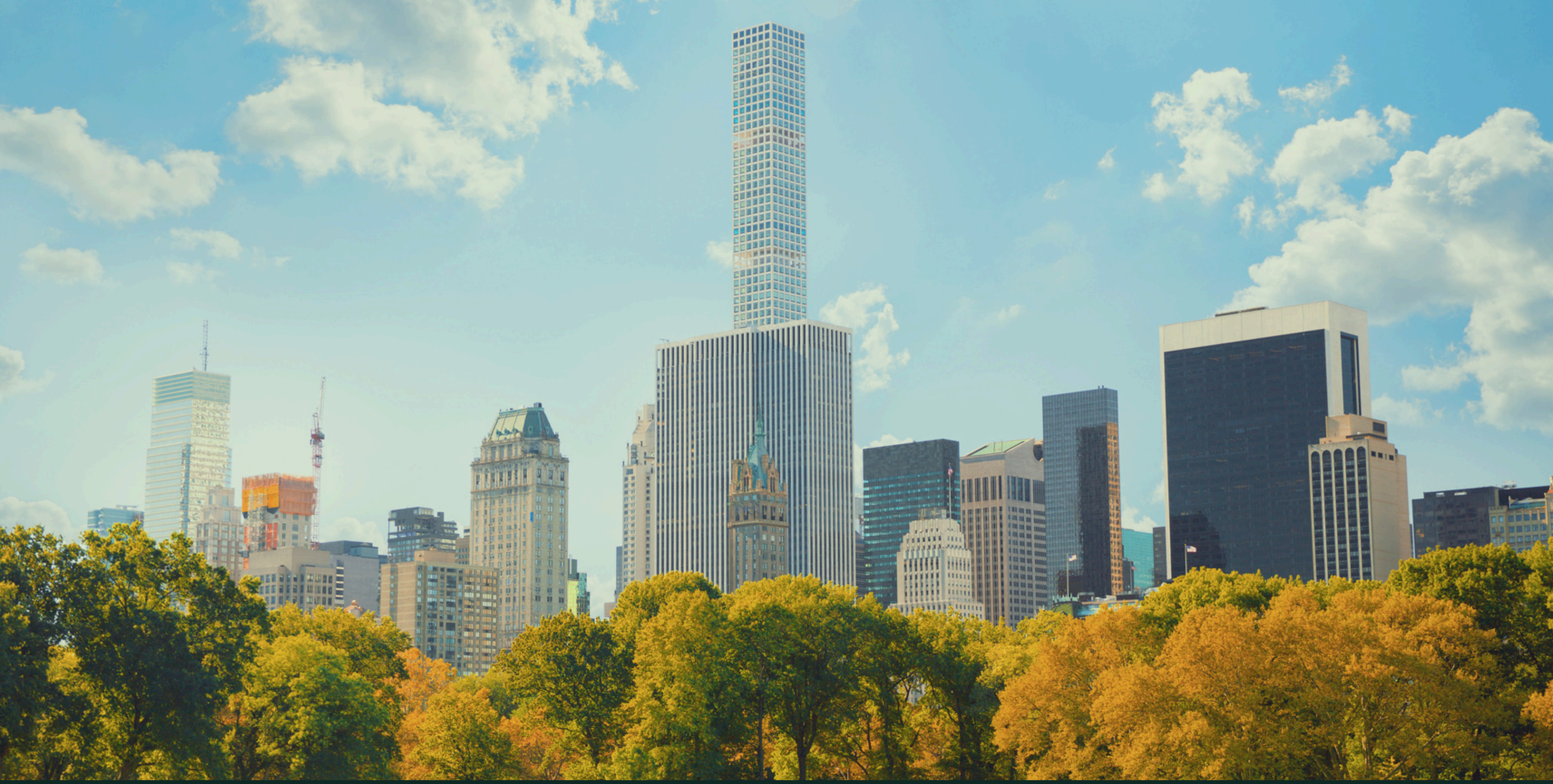
Introduction

Why do European sustainability regulations matter to large private and public companies?

As we look ahead to 2025, Europe's climate regulations are poised to reshape the operating landscape, making organizational climate policies, transparent reporting, and risk management not only a regulatory obligation but also a strategic advantage.

With the European Union (EU)'s ambitious climate agenda and Green Deal, companies will need to actively engage with rules in order to mitigate risks, enhance portfolio value, and appeal to sustainability-focused investors. By aligning with Europe's new and upcoming regulations, companies can help their portfolio companies gain competitive ground and capture value in an increasingly climate-conscious market.

The EU Green Deal is a comprehensive policy initiative aimed at making the EU climate neutral by 2050. The regulations covered in this guide are under the Green Deal, and are critical for those companies wishing to do business in the EU.



In 2025, companies will have to keep an eye on numerous regulations aimed at climate accountability, including the Corporate Sustainability Reporting Directive (CSRD), the Carbon Border Adjustment Mechanism (CBAM), and the EU Emissions Trading System (ETS), among others covered in this guide.

These frameworks will expand reporting requirements and put a price on pollution for high-emission sectors. Failure to comply could lead to fines, hindered access to markets, and potential reputational damage — all of which threaten a business's financial position or portfolio attractiveness.

By strategically aligning themselves with Europe's climate regulations, companies can not only defend against compliance risks but also position their business or portfolios for strong financial performance and enhanced long-term returns.

While this guide will give you an overview of the regulations defining the sustainability landscape in 2025 and beyond, it is important to go deeper to understand the full extent of your obligations, and how to best leverage related opportunities for your organization. Our team is here to help with that.

Read on to understand the regulatory landscape for climate in 2025, and how to best prepare as a sustainability leader.

Overview

Name	Who does it apply to?	What is the timeline?
EU Emissions Trading System (ETS)	ETS applies to all EU member states, European Free Trade Association countries, and Northern Ireland (electricity generation only). It applies to greenhouse gas emissions from electricity and heat generation, energy-intensive sectors, aviation, municipal waste, and maritime transport.	ETS is actively in its fourth phase (until 2030) covering carbon dioxide emissions, and will expand to cover methane and nitrous oxide in 2026. Requirements for surrendering emissions allowances are being phased in for maritime transport. ETS2 is set to be fully operational for smaller industries not covered by ETS like buildings and road transport in 2027, with reporting requirements starting in 2025.
Carbon Border Adjustment Mechanism (CBAM)	CBAM will initially apply to the imports of certain goods into the EU whose production is carbon-intensive, such as cement, iron, steel, aluminum, fertilizers, electricity, and hydrogen.	CBAM began its transitional phase in 2023, requiring reporting for only the highest-emitting sectors. As of 2025, methodology will be standardized and defaults cannot be used for more than 20% of total embedded emissions. The definitive CBAM regime will begin in 2026.
Corporate Sustainability Reporting Directive (CSRD)	1) Large EU-based companies or EU-listed companies that meet two or more of the following criteria: • 250+ employees • €50M+ in annual revenue • €25M+ on balance sheet 2) EU-listed small- and medium-sized enterprises that meet two or more of the following criteria: • 50+ employees • €10M+ in annual revenue • €5M+ on balance sheet 3) Non-EU companies doing business in the EU with a net turnover over €150M and large EU operations	Large companies already subject to the Non-Financial Reporting Directive (NFRD) have their first CSRD-compliant report due in 2025 for the fiscal year beginning on or after January 1, 2024. Large companies not subject to NFRD will report in line with CSRD for the first time in 2026 on their 2025 fiscal year. Non-exempt small- and medium-sized enterprises will be required to report in line with CSRD for the first time in 2027 on their 2026 fiscal year.

Overview

Name	Who does it apply to?	What is the timeline?
European Sustainability Reporting Standards (ESRS)	See CSRD. ESRS are the standards to be used to meet the requirements of CSRD.	Companies that report to CSRD for the first time in 2025 will also have to comply with ESRS that same year.
Sustainable Finance Disclosure Regulation (SFDR)	SFDR applies to all European and non-European companies or individuals who market or advise on financial products in the EU.	SFDR reporting came into effect in 2021 for certain in-scope firms. From 2024 onwards, reporting must include a year-to-year comparison between reference periods eventually covering five reference periods (once the fifth period is reached).
EU Taxonomy	The EU Taxonomy Regulation sets out overarching conditions for "environmentally sustainable" economic activities and six environmental objectives and so is broadly applicable as a classification system (e.g., can be used in product disclosures under SFDR). Article 8 of the regulation specifically obligates companies required to comply with NFRD (and now CSRD) to also report on the extent to which their activities meet the taxonomy's conditions and are contributing to the taxonomy's environmental objectives; the specifics of these taxonomy disclosures are further detailed in technical screening criteria adopted on a rolling basis (delegated acts).	Reports published in 2022 (for 2021 fiscal year) by companies NFRD had to include taxonomy disclosures. Article 8 obligates taxonomy disclosures from companies who must now comply with CSRD. With that in mind, the timeline for both is similar: as of 2025, large companies already subject to the NFRD must include taxonomy disclosures. In 2026, the companies in scope will expand to include large companies, and in 2027, the scope will expand to include in-scope SMEs.

EU Emissions Trading System (ETS)

The EU Emissions Trading System (ETS) is one of the EU's cornerstone climate regulations. Launched in 2005, and now in its fourth phase (2021-2030), the ETS is designed to limit greenhouse gas emissions by placing a price on carbon emissions. In this current phase, ETS is pushing the EU to reduce its emissions by 62% compared to 2005 levels.

ETS operates on a "cap-and-trade" principle, setting a cap on the total amount of emissions allowed from specific sectors, including energy and heavy industry, and gradually lowering this cap over time.

Under the ETS, companies must acquire allowances or permits for each ton of CO_2-equivalent they emit, either through initial allocations or by purchasing permits on the market. Companies with emissions below their allowance can sell their surplus, while those over the limit must purchase additional permits or face penalties.

The ETS was recently expanded to align with the EU's "Fit for 55" goals, which aim to reduce net emissions by 55% by 2030. New sectors were recently approved and added to the ETS framework under "ETS2," including shipping, buildings, and road transport. The ETS2 will go into full effect in 2027, with reporting requirements beginning in 2025.

While ETS2 is also a cap and trade system like ETS, it applies to upstream emissions. For example, fuel suppliers, rather than fuel end users, will be required to monitor and report on their emissions and purchase allowances for exceeding a given cap. The ETS2 cap will be set with a goal of reducing emissions by 42% by 2030, down from 2005 levels.

ETS at a Glance

Who does it apply to?	ETS applies to all EU member states, European Free Trade Association countries, and Northern Ireland (electricity generation only). It applies to greenhouse gas emissions from electricity and heat generation, energy-intensive sectors, aviation, municipal waste, and maritime transport.
What are the reporting requirements?	Companies must submit a third-party verified annual emissions report to comply with ETS's reporting requirements.
What is the timeline?	ETS is actively in its fourth phase (until 2030) covering carbon dioxide emissions, and will expand to cover methane and nitrous oxide in 2026. Requirements for surrendering emissions allowances are being phased in for maritime transport. ETS2 is set to be fully operational for smaller industries not covered by ETS like buildings and road transport in 2027, with reporting requirements starting in 2025.
What are the penalties for non-compliance?	Companies that fail to comply with either the ETS's reporting requirements or the allowances and permits requirements may face excess emissions penalties of €100 per ton of CO_2. Penalties may also vary by member state.

What does ETS mean for companies in 2025?

For companies, the evolution of the ETS means new costs, opportunities, and compliance expectations across a range of industries.

Companies in high-emission sectors — like manufacturing and shipping — are most directly impacted. These firms will now need to account for rising carbon costs in their operating expenses, which could affect profit margins and competitive positioning. As an example, pricing for emissions allowances reached as high as €100.34 euros per metric ton of CO_2 in February 2023.

The ETS's evolving requirements also add regulatory risk, as non-compliance with emissions caps or failure to acquire adequate permits can lead to penalties.

On the upside, the ETS provides an opportunity for firms to drive value by advancing carbon-efficient strategies within their operations. Companies that invest in emissions-reducing technologies or renewable energy sources can reduce their emissions and potentially generate revenue from selling excess permits.

Complying with ETS can thus improve operational efficiency, sustainability, and ultimately market valuation as investors increasingly prioritize environmental, social, and governance (ESG)-aligned assets.

Carbon Border Adjustment Mechanism (CBAM)

The Carbon Border Adjustment Mechanism (CBAM) is a carbon pricing scheme that works in parallel with the ETS, putting a price on carbon emitted in the production of imported goods. CBAM discourages companies from moving production overseas to places with fewer regulations, and prevents against unsustainable products made outside the EU having a price advantage in domestic markets.

Carbon pricing schemes like CBAM require companies to pay for their pollution and negatively reinforce doing business in countries or regions with fewer regulations.

CBAM aims to tackle carbon emissions embedded in imported goods by placing a tariff on carbon-intensive imports from non-EU countries, particularly in industries like steel, aluminum, cement, and fertilizers.

CBAM's phased implementation started in October 2023, but 2026 will mark a significant shift as it begins to apply carbon prices directly on imported goods based on the carbon costs faced by EU producers.

This means that imports from countries with lower carbon emission standards will be subject to added costs, effectively leveling the playing field and disincentivizing "carbon leakage," which occurs when companies shift production outside of the EU to avoid complying with emissions regulations.

The goals of CBAM are twofold:

1. To protect European industries that are required to comply with stringent emissions reductions (e.g., EU ETS)
2. To encourage non-EU countries to adopt similar carbon-pricing mechanisms

CBAM at a Glance

Who does it apply to?	CBAM will initially apply to the imports of certain goods into the EU whose production is carbon-intensive, such as cement, iron, steel, aluminum, fertilizers, electricity, and hydrogen.
What are the reporting requirements?	CBAM requires that importers declare their emissions on a quarterly basis and purchase special emissions allowances ("CBAM certificates") for associated emissions.
What is the timeline?	CBAM began its transitional phase in 2023, requiring reporting for only the highest-emitting sectors. As of 2025, methodology will be standardized and estimates cannot be used for more than 20% of total embedded emissions. The definitive CBAM regime will begin in 2026.
What are the penalties for non-compliance?	Failure to comply with CBAM or inaccuracies in CBAM reporting can result in penalties that range from €10-€50 per ton of unreported or incorrectly reported emissions, depending on the EU member state.

What does CBAM mean for companies in 2025?

CBAM introduces new cost considerations and operational challenges for companies with significant supply chain dependencies outside of the EU. The regulation could impact companies operating in carbon-intensive industries, as well as those that rely on imported materials or products from regions with less strict environmental standards. Overseas producers selling to EU importers will also feel pressure to reduce emissions or potentially lose business as importers shift to less carbon-intensive providers.

The added cost of carbon tariffs could compress margins for companies that rely on imports, especially if they operate in sectors with limited pricing power. Before the CBAM definitive regime begins in 2026, companies will need to assess how prepared they or their portfolio companies are to absorb these costs or adapt accordingly.

Accounting for the indirect (Scope 3) emissions associated with the manufacture or import of overseas goods requires extensive data collection from trade partners in terms of embedded emissions, tariffs paid elsewhere, and the price of allowances int he EU. Accurate tracking and reporting across the supply chain will be more important than ever, as regulators and investors begin to apply more scrutiny to companies affected by CBAM. This emphasis on transparency aligns with broader ESG disclosure requirements like the Corporate Sustainability Reporting Directive (CSRD) — more on that in the next chapter.

By investing in more sustainable supply chains and low-carbon materials, firms can enhance portfolio value, increase their resilience to regulatory changes, and appeal to sustainability-focused investors.

Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

The Corporate Sustainability Reporting Directive (CSRD) is one of the EU's most comprehensive sustainability reporting requirements, designed to expand and standardize how companies disclose ESG-related information.

The European Sustainability Reporting Standards (ESRS) are the reporting standards used to meet the requirements of CSRD.

This section is a primer on CSRD and ESRS; if your company must report into CSRD, please make sure to work with your team or a trusted partner like Green Project to get the information you need to comply with confidence.

For context, CSRD mandates detailed ESG disclosures for over 50,000 firms, including large and listed companies, with requirements cascading down to the smaller businesses in their supply chains. In the United States, CSRD will affect around 3,000 companies. Is your organization one of them?

CSRD's broad scope aims to enhance transparency for investors, consumers, and other stakeholders, making it easier to assess the sustainability performance of businesses operating in the EU.

CSRD at a Glance

Who does it apply to?	CSRD applies to: 1) Large EU-based companies or EU-listed companies that meet two or more of the following criteria: • 250+ employees • €50M+ in annuel revenue • €25M+ on balance sheet 2) EU-listed small- and medium-sized enterprises that meet two or more of the following criteria: • 50+ employees • €10M+ in annual revenue • €5M+ on balance sheet 3) Non-EU companies doing business in the EU with a net turnover over €150M and large EU operations
What are the reporting requirements?	Companies will have to start reporting on their Scope 3 emissions between 2025-2029, depending on their size, and according to ESRS standards. Those with 500+ employees will have to start reporting in 2025, while small- and medium-sized enterprises (SMEs) won't have to report until 2027. All reports must be verified with limited assurance by a third-party auditor.
What is the timeline?	Large companies already subject to the Non-Financial Reporting Directive (NFRD) have their first CSRD-compliant report due in 2025 for the fiscal year beginning on or after January 1, 2024. Large companies not subject to NFRD will report in line with CSRD for the first time in 2026 on their 2025 fiscal year. Non-exempt small- and medium-sized enterprises will be required to report in line with CSRD for the first time in 2027 on their 2026 fiscal year.
What are the penalties for non-compliance?	CSRD has a range of penalties for non-compliance which vary by country. In the United Kingdom, fines can be up to €580,000, while in Germany, they can be up to €10,000,000 or 5% of turnover.

What does CSRD mean for companies in 2025?

CSRD's requirements will mean a substantial shift in ESG reporting, particularly for portfolio companies that were previously exempt from mandatory sustainability disclosures. Many companies will now need to comply with thorough sustainability disclosures and disclose granular data on carbon emissions (including Scope 3), social impact, governance practices, and biodiversity impacts.

CSRD compliance adds complexity to ESG oversight and reporting processes, requiring standardized data collection across as many as 1,144 data points. Data must be prepared in line with the ESRS, and CSRD reports must be verified by third-party auditors.

To prepare for CSRD to go into effect, companies should develop centralized ESG reporting frameworks, pursue double materiality assessments, enhance their data management and verification processes (consider a dry run!), integrate ESG into their investment strategy and due diligence, and offer ESG training and resources to their portfolio companies, internal staff, and suppliers.

By preparing now, obligated companies can turn CSRD compliance into an advantage, positioning themselves as leaders in sustainable operations while appealing to ESG-focused investors. Early compliance with CSRD can enhance a company's valuation, market reputation, and resilience against further regulatory changes across the EU.

For suppliers who aren't obligated to report under CSRD, you may feel pressure to report from buyers who are obligated. Prepare for a ramp-up in engagement and data-sharing from your buyers in the years to come. If you're in private equity, more specific guidance can be found here.

Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

Let's go deeper on ESRS, the reporting guidelines established by the EU to standardize sustainability disclosures under CSRD. Designed to promote transparency and comparability, ESRS outlines specific reporting metrics and methodologies for environmental, social, and governance (ESG) issues across diverse industries.

In 2025, companies subject to the CSRD will report in alignment with ESRS. These standards set the framework for reporting on emissions, energy use, biodiversity impacts, labor practices, and governance structures. The ESRS's rigorous approach to ESG data collection aims to make sustainability reporting more consistent, allowing investors, regulators, and stakeholders to assess companies' ESG performance accurately and uniformly across the EU.

ESRS at a Glance

Who does it apply to?	See CSRD. ESRS are the standards to be used to meet the requirements of CSRD.
What are the reporting requirements?	Under ESRS, companies must disclose extensive ESG data across twelve reporting standards. This includes metrics on emissions, biodiversity impact, water use, labor practices, community impact, and more.
What is the timeline?	Companies that report to CSRD for the first time in 2025 will also have to comply with ESRS that same year.
What are the penalties for non-compliance?	Depending on the EU member state, there is a range of penalties for non-compliance with ESRS. Fines range from €50K to €10M or even 5% of a company's annual global revenue.

What does ESRS mean for companies in 2025?

ESRS introduces new reporting requirements for companies that may not have previously been subject to such detailed disclosures. The new standards will require companies to gather and disclose granular ESG data that aligns with EU regulatory standards, impacting both their internal reporting processes and their standing in the market as investors increasingly prioritize sustainable operations. An obligated company's value chain partners (e.g. suppliers) will also feel the effects as their buyers require more sustainable practices from partners.

Meeting ESRS standards will require significant resources to ensure comprehensive and compliant reporting from companies, especially for those operating in sectors with high environmental or social impact. This includes data on emissions (particularly Scope 1, 2, and 3 emissions), diversity metrics, and governance practices, each of which requires tracking and verification.

ESRS also presents an opportunity to enhance value by aligning companies with investor and regulatory expectations around sustainability. As more investors integrate ESG factors into their valuation models, PE-backed companies that comply with ESRS and CSRD are likely to become attractive assets in the market.

Transparent ESG disclosures in line with ESRS may help firms mitigate reputational risks, improve resilience against regulatory changes, and unlock premium valuations upon exit. Refer to the CSRD section for further implications, and note that even if you don't have to comply with CSRD, there are advantages to reporting in line with ESRS — 81% of companies not covered by CSRD still plan to comply.

Green Finance Regulations

European Green Finance Regulations aim to steer private capital towards sustainable activities, reinforcing the region's climate and environmental goals.

Key initiatives to keep an eye on in 2025 include the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy, both of which impose standards for classifying and reporting on sustainable investments.

The SFDR mandates disclosures on sustainability risks and adverse environmental impacts for asset managers and financial entities, including mandatory ESG indicators. The SFDR categorizes financial products based on ESG integration levels (e.g., Articles 8 and 9 — see below), establishing transparency across all investment products and necessitating different disclosure requirements.

- **SFDR article 6:** Funds that are not ESG-specific must disclose how they integrate sustainability risk into their investment decisions or advise clients about such risks. If sustainability risks are not relevant, they must explain why.
- **SFDR article 8:** Funds that promote environmental or social characteristics must disclose their criteria for selecting investments, how characteristics are monitored, and the extent to which characteristics are met. They must also include ESG indicators related to the characteristics promoted.
- **SFDR article 9:** Funds that have sustainable investment as their objective must demonstrate that all investments contribute to a sustainable objective and specify their methodologies for assessing the sustainability of investments. They must also report regularly on sustainability outcomes.

Further, the EU Taxonomy provides a framework for defining "environmentally sustainable" activities, focusing on clear disclosure metrics to ensure uniformity across sectors (let's call these "Taxonomy disclosures"). The aim of both the EU Taxonomy and the SFDR is to increase transparency when it comes to sustainability claims.

SFDR at a Glance

Who does it apply to?	SFDR applies to all European and non-European companies or individuals who market or advise on financial products in the EU.
What are the reporting requirements?	Under SFDR, companies have to disclose how they integrate sustainability into their decision-making process and what adverse effects their work has on society and the environment. This includes disclosures both about specific financial products and about the firm as a whole.
What is the timeline?	SFDR reporting came into effect in 2021 for certain in-scope firms. From 2024 onwards, reporting must include a year-to-year comparison between reference periods eventually covering five reference periods (once the fifth period is reached).
What are the penalties for non-compliance?	As of now, there are no financial or legal penalties for non-compliance with SFDR, although firms may face reputational risks.

EU Taxonomy at a Glance

Who does it apply to?	The EU Taxonomy Regulation sets out overarching conditions for "environmentally sustainable" economic activities and six environmental objectives and so is broadly applicable as a classification system (e.g., can be used in product disclosures under SFDR). Article 8 of the regulation specifically obligates companies required to comply with NFRD (and now CSRD) to also report on the extent to which their activities meet the taxonomy's conditions and are contributing to the taxonomy's environmental objectives; the specifics of these taxonomy disclosures are further detailed in technical screening criteria adopted on a rolling basis (delegated acts).
What are the reporting requirements?	Companies must report on indicators representing the extent to which their activities are covered by the EU Taxonomy (eligibility) and in compliance with its criteria (alignment). Companies obligated under CSRD must include this information in their annual reports.
What is the timeline?	Reports published in 2022 (for 2021 fiscal year) by companies NFRD had to include taxonomy disclosures. Article 8 obligates taxonomy disclosures from companies who must now comply with CSRD. With that in mind, the timeline for both is similar: as of 2025, large companies already subject to the NFRD must include taxonomy disclosures. In 2026, the companies in scope will expand to include large companies, and in 2027, the scope will expand to include in-scope SMEs.
What are the penalties for non-compliance?	As of now, there are no financial or legal penalties for non-compliance with the EU Taxonomy, although firms may face reputational risks.

What do SFDR and the EU Taxonomy mean for companies in 2025?

As companies look ahead to 2025, SFDR and the EU Taxonomy bring both obligations and opportunities.

The SFDR requires firms managing Article 8 or 9 funds to report sustainability metrics that align with schema like the EU Taxonomy. Firms will need to demonstrate how investments contribute to ESG goals, impacting reporting practices and possibly even portfolio composition.

Compliance with the EU Taxonomy in terms of adherence to technical screening criteria and reporting on required KPIs means more detailed scrutiny of companies' environmental contributions, particularly regarding carbon emissions and waste management practices.

Green finance regulations can also enhance the marketability of sustainable funds. By establishing robust compliance measures, firms can attract capital from investors focused on sustainable development, strengthening fundraising prospects.

Policy Beyond 2025

As the urgency to combat climate change accelerates, the policy environment in the EU is expected to evolve significantly beyond 2025.

Several developments are already on the horizon:

1. **Corporate Sustainability Due Diligence Directive (CSDDD)** - establishes a framework requiring companies to identify, assess, and mitigate adverse impacts on human rights and the environment across their entire value chain. While it doesn't go into effect until 2027, companies with over 3,000 employees and €900 million in annual turnover would be best served to start preparing now so they can report with ease.
2. **Enhanced scope of the EU Taxonomy** - The EU Taxonomy is likely to expand to cover a broader range of activities, including social and governance factors, creating a unified ESG classification framework. Additional environmental objectives, such as biodiversity preservation and water conservation, may also become central to the taxonomy's evolution.
3. **Simplified ESG reporting obligations** - An initiative is being considered to consolidate ESG reporting in Europe into a single regulation to simplify the regulatory landscape.
4. **Carbon pricing expansion** - The ETS has extended its scope with ETS2, which will go into full effect in 2027 and include emissions related to buildings and transportations Higher carbon prices may drive companies to expedite their decarbonization strategies.
5. **Cross-border ESG standards** - European regulations could influence the creation of international sustainability frameworks, driving global alignment in ESG standards. Companies will need to monitor and adapt to these standards as they emerge.
6. **Stronger accountability measures** - Anti-greenwashing regulations, like the proposed Green Claims Directive, are expected to tighten, demanding more detailed and auditable disclosures. Real-time monitoring of compliance may be introduced, leveraging digital reporting tools.
7. **Climate litigation as a norm** - Legal challenges around climate change and greenwashing are likely to rise as courts worldwide increasingly favor litigants in environmental cases. Policy shifts may further support such actions, providing grounds for legal accountability.

Corporate Action Plan

What This Means for Your Organization

The policy trajectory beyond 2025 presents both challenges and opportunities:

1. **Growing complexity in ESG compliance -** Regulatory frameworks will become more intricate, requiring firms to stay ahead of policy updates, adapt reporting practices, and manage growing data requirements. Firms operating in multiple jurisdictions will face an even greater need for harmonized ESG strategies.
2. **EU Taxonomy disclosure** - Obligated companies under CSRD will need to more deeply scrutinize their environmental contributions, understanding which of their activities could and do positively contribute to positive environmental outcomes.
3. **Compliance with green finance regulations** - Between 2019 -2023, Article 8 and 9 funds received 3.4x the cumulative inflows compared to non-ESG counterparts (Article 6). Funds reporting Taxonomy disclosures under SFDR will set themselves up for success, as analysts predict that these disclosures will be the main indicator for credentialing green funds.
4. **Increased pressure from investors -** Limited Partners (LPs) are expected to demand more transparency and verifiable results from sustainable investing as well as strong returns and environmental performance. This will push firms to embed ESG deeply into investment decisions and showcase measurable impact over time.
5. **Opportunities in climate-focused investments -** Policy advancements, particularly those incentivizing decarbonization, will spur innovation in green technologies and sustainable infrastructure. Companies that position themselves as early movers in these sectors can capitalize on new growth opportunities while fulfilling ESG objectives.
6. **Legal and reputational risks -** As enforcement tightens and climate litigation becomes more prevalent, the risks of non-compliance or insufficient due diligence will rise. Companies must ensure they and their portfolio companies are not only compliant but also resilient to potential legal challenges.
7. **Shift toward long-term value creation -** Policy changes will drive a shift in the industry from short-term returns to long-term value creation. Firms that integrate climate resilience and sustainability into their investment strategies will gain a competitive edge in a maturing ESG market.

Next Steps for Your Organization

Companies can take steps now to get ahead of the curve:

1. **Invest in ESG expertise and technology -** Leverage leading technologies like Green Project for streamlined reporting, supplier engagement, risk assessment, best practice consulting, and compliance.
2. **Proactively monitor policy trends -** Establish mechanisms to track regulatory changes and assess their implications. Map out the activities (and entities) in scope for each regulation and allowable reporting levels (e.g., consolidated), and identify efficiencies in reporting processes across regulations. Early action will allow firms to remain agile and proactive.
3. **Embed climate goals across your organization -** Align investment strategies with long-term climate policies, focusing on high-growth sectors like renewable energy, circular economy initiatives, and low-carbon technologies.
4. **Engage stakeholders -** Strengthen communication with investors, regulators, and portfolio companies to ensure alignment with evolving sustainability expectations and build trust.

As the EU continues to lead in sustainability legislation, the future regulatory landscape will demand deeper integration of ESG principles. Firms that adapt quickly, innovate sustainably, and remain transparent will not only mitigate risks but also thrive in the emerging green economy.

If you'd like a partner in this journey, get in touch with one of our dedicated sustainability experts at Green Project. We're here to help you navigate the environmental landscape, from 2025 and beyond.

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Green Project is the carbon accounting and reporting platform designed for ease-of-use and peace-of-mind.

Get in touch to learn more

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