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The Global Regulations Radar

3rd Edition

QUARTERLY UPDATE ON ESG AND EHS REGULATIONS

July 2025

Contents

Introduction

Regulatory momentum on climate and sustainability has entered a new, more uncertain phase. While rules around Environmental, Social & Governance (ESG) and Environmental, Health & Safety (EHS) are still evolving rapidly, especially in areas like disclosure and accountability, progress has slowed in many regions as priorities shift toward energy security, economic resilience, and geopolitical concerns.

This shift is especially pronounced in North America and Europe but reflects a broader global trend. As a result, companies must navigate an increasingly uneven and fragmented regulatory environment, with varying levels of urgency and ambition across jurisdictions.

The European Union continues to set the benchmark with comprehensive and well-established regulations. All eyes are on the EU's Omnibus package, where the European Parliament has approved the crucial 'stop-the-clock' proposal, delaying compliance timelines for key disclosure regulations, with more specific changes expected to be revealed for consultation in late July.

Parts of the Asia-Pacific (APAC) region—such as Japan, Malaysia, and Australia—are advancing quickly with new disclosure rules and climate legislation. In the Middle East, the United Arab Emirates (UAE) is also stepping up with new national frameworks emerging to support emissions tracking and alignment with long-term climate goals.

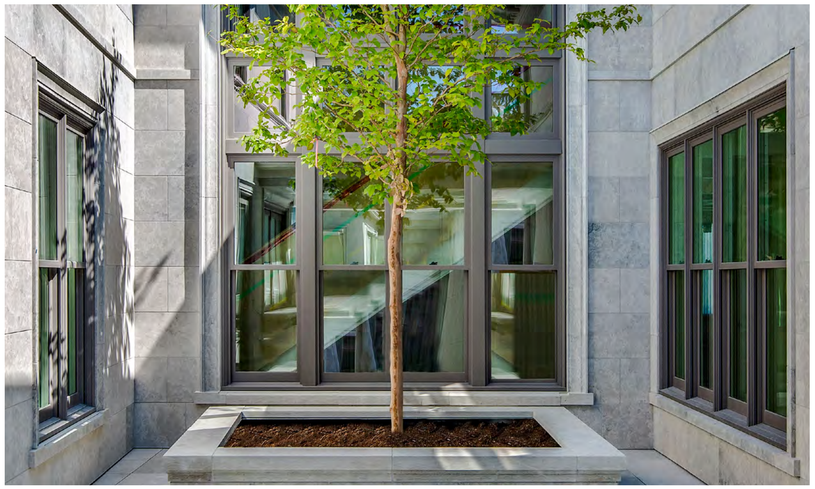
These examples show that the broader global shift is now underway; the momentum has been building, and these most recent developments mark the start of an avalanche of change despite uneven progress elsewhere.

In contrast, the regulatory scene in the United States (U.S.) remains uncertain, shaped by political swings, stalled action on key issues and proposals, and renewed discord over international climate commitments.

To help organizations stay abreast of regulatory developments, the Sustainability Institute publishes this Global Regulations Radar on a recurring basis—a resource offering a snapshot of the most critical ESG and EHS regulations affecting global companies.

In this third edition, we take a look at the changing regulatory dynamics in the U.S., spotlighting select Executive Orders (EOs). This issue also provides an expanded view of key regulations across other parts of North America, Europe, the Middle East, Africa, and APAC regions.

While not exhaustive, the Radar focuses on consequential rules likely to affect companies with operations across multiple jurisdictions. This edition concludes with a brief overview of proposed changes to European regulations included in the EU Omnibus proposal (for a detailed summary and analysis of the Omnibus, please read our policy alert), as well as an update on California's Climate Corporate Data Accountability Act (SB 253) and Climate Related Financial Risk Act (SB 261), since their initial coverage in the first and second Radar editions.



Regulations Included in the 1st Edition:

- U.S. PFAS Reporting under EPCRA / TSCA
- Canada Modern Slavery Act
- Canada OSFI
- U.S. SEC Climate-related Disclosure Rule
- California AB 1305
- California SB 253 / 261
- EU Taxonomy
- SFDR
- CSRD
- CBAM
- EU Battery Regulation
- CSDDD
- Australia Climate-related Financial Disclosures Treasury Bill
- Singapore Mandatory Climate-related Reporting
- India Disclosure Framework on Climate-related Financial Risks
- Hong Kong Climate-related Disclosures under ESG Framework

Regulations Included in the 2nd Edition:

- U.S. Clean Water Act Hazardous Substance Facility Response Plans
- U.S. National Ambient Air Quality Standards (NAAQS) PM2.5
- U.S. OSHA Heat Injury and Illness Prevention
- U.S. Uyghur Forced Labor Prevention Act
- Canada Bill C-59 Greenwashing Regulation
- Canada Business Corporations Act
- Mexico Sustainability Information Standards
- EU Regulation on Deforestation-free Products (EUDR)
- EU Green Claims Directive
- EU Nature Restoration Law
- Malaysia Climate Change Bill
- New Zealand Financial Markets Conduct Act 2013 – Part 7A
- Japan Emissions Trading System (GX-ETS)

Updates:

- California SB 253 and SB 261
- U.S. PFAS Reporting Under TSCA
- Australia Climate-related Financial Disclosure Treasury Bill

Regulations Included in this 3rd Edition:

- EU Packaging and Packaging Waste Regulation
- EU Urban Wastewater Treatment Directive
- Japan SSBJ Standards
- Kenya Climate Change (Carbon Markets) Regulations
- U.S. Extended Producer Responsibility Regulations
- U.S. Building Performance Standards
- UAE Federal Decree-Law No. (11) of 2024 on the Reduction of Climate Change Effects

Updates:

- EU Omnibus
- California SB 253 and SB 261

Landscape Overview

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Global ESG and EHS regulations are being reshaped, not just by new rules, but also by dynamic political developments. Following recent elections in the U.S., Canada, and Australia, and with the European Commission now several months into its current term, global policy direction is shifting once again. While broad skepticism and political pushback around ESG principles remain a driving factor in some parts of the world, especially in the U.S., other jurisdictions are accelerating efforts to embed sustainability deeper into legislation. For example, Japan has advanced its corporate disclosure agenda through the launch of the Sustainability Standards Board of Japan (SSBJ) while Kenya is emerging as a climate-leader in Africa with its Climate Change (Carbon Markets) Regulations, establishing a structured framework for both voluntary and compliance carbon markets.

The geographic footprint of regulations is ever expanding. Requirements that originate in one jurisdiction are increasingly influencing business operations far beyond national borders. The EU Packaging and Packaging Waste Regulation (PPWR), for example, is projected to have a major impact on global supply chains by setting stringent rules around packaging recyclability and reuse, even for non-EU producers. Likewise, revisions to the EU Urban Wastewater Treatment Directive have placed new demands on companies managing industrial discharge, with potential for far-reaching implications to sectors like pharmaceuticals, agriculture, and manufacturing across international markets.

These developments are part of a global trend: an ongoing shift from voluntary initiatives to enforceable expectations. As the future of climate and ESG rules is uncertain in the U.S. and EU countries are undergoing a major revision of ESG regulations, other countries are advancing clearer, more standardized disclosure requirements. Stakeholders continue to push for accountability across full value chains, and growing global alignment heightens the urgency for businesses to keep pace.

Region-specific developments

Europe: The EU continues to advance its sustainability agenda through a wave of regulatory activity. In March, the European Commission released the long-anticipated “EU Omnibus” proposal, which introduces targeted amendments to several key regulations—including the CSRD, SFDR, CBAM, and EU Taxonomy—with the aim of improving coherence and easing implementation across interconnected sustainability reporting and disclosure requirements. A revised draft of the European Sustainability Reporting Standards (ESRS) is also expected to be published by the end of July, with a public consultation period to follow in August, potentially refining disclosure requirements under the CSRD. In addition, the EU has progressed key environmental legislation aimed at reducing waste and improving water quality. The EU PPWR introduces mandatory targets for packaging reuse, bans certain single-use packaging types such as take-away containers used for food or miniature hotel toiletries, and mandates recyclability of all packaging by 2030, reinforcing the EU’s circular economy goals. In parallel, the revised Urban Wastewater Treatment Directive strengthens standards for removing harmful nutrient pollution and micropollutants, while extending producer responsibility to fund water treatment costs, highlighting the bloc’s shift toward polluter-pays models.

Africa: Kenya has emerged as a regulatory frontrunner in Africa’s carbon market space with the introduction of the Climate Change (Carbon Markets) Regulations in 2024. These rules establish governance and participation frameworks for both voluntary and compliance markets, creating new incentives for emissions reduction and carbon removal. The move supports Kenya’s national climate targets while positioning the country as a regional hub for carbon finance.

Middle East: The UAE has formalized its climate ambitions through Federal Decree-Law No. (11) of 2024 on the Reduction of Climate Change Effects. The law mandates carbon emissions tracking and reporting across all sectors, including free zones (special economic areas with separate regulatory frameworks), and aligns with the nation’s Net Zero 2050 strategy. This regulation reflects the UAE’s intent to lead on climate action in the region while meeting its Paris Agreement obligations.

Asia-Pacific: Japan has advanced its corporate sustainability disclosure landscape with the release of the SSBJ Standards in March 2025. The standards, which draw from the ISSB framework, apply initially to the Tokyo Stock Exchange’s Prime Market-listed firms and are designed to enhance transparency around sustainability risks and performance. This development underscores Japan’s role as a regional leader in ESG reporting.

Figure 1: ESG and EHS Regulations Map

ESG and EHS regulations are becoming more prominent across geographies. This map highlights several high-profile ESG- and EHS-related regulations covered in this publication, as well as previous editions.

North America

- U.S. Extended Producer Responsibility Regulations*
- U.S. Building Performance Standards*

Latin America

Mexico Sustainability Information Standards (2025)

Africa

Kenya Climate Change (Carbon Markets) Regulations (2024)

Middle East

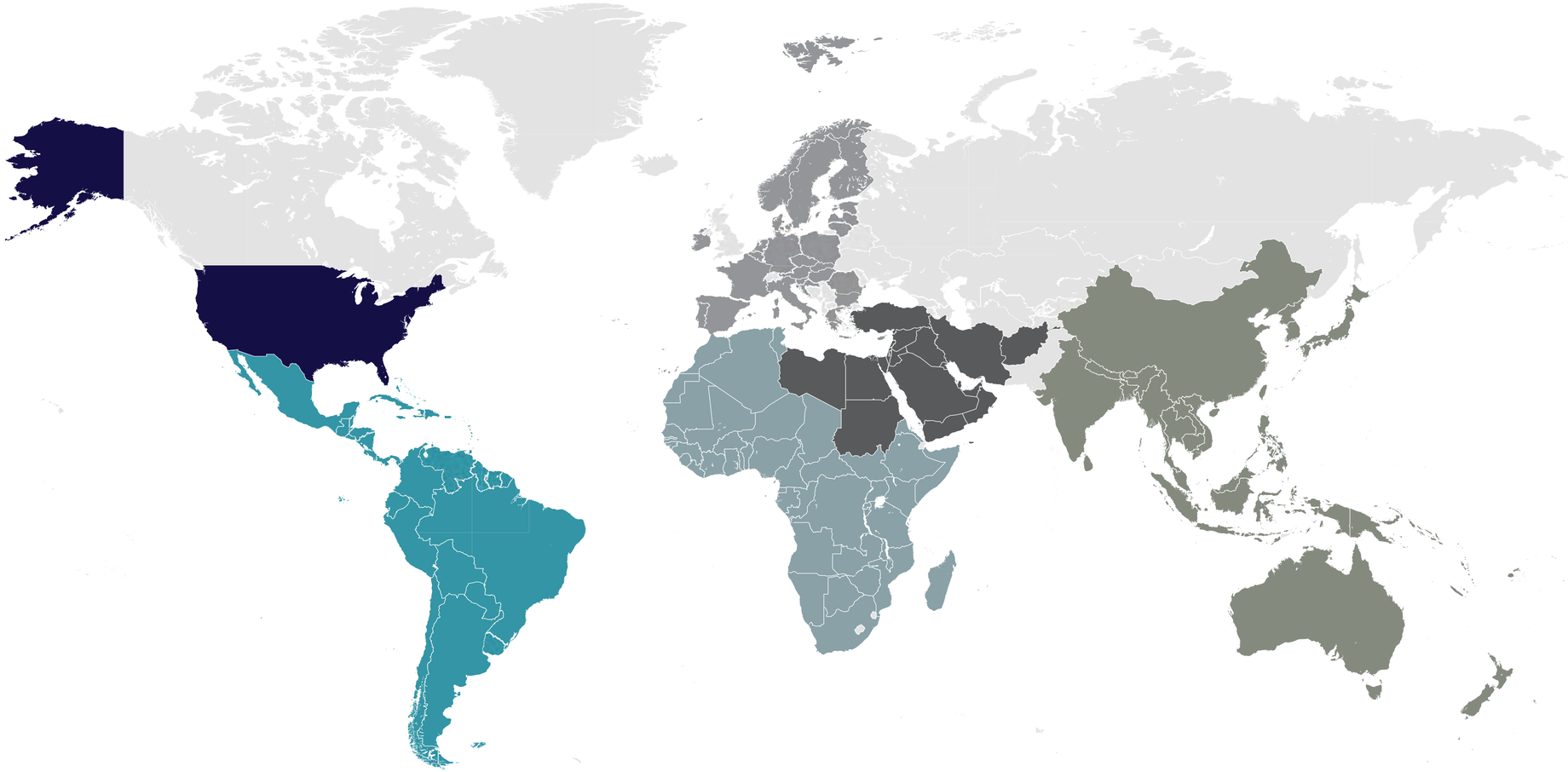
UAE Federal Decree-Law No. (11) of 2024 on the Reduction of Climate Change Effects (2024)

European Union

- EU Packaging and Packaging Waste Regulation (2025)
- EU Urban Wastewater Treatment Directive (2025)
- EU Omnibus (2025; proposed)
- EU Green Claims Directive (2025; proposed)

Asia-Pacific

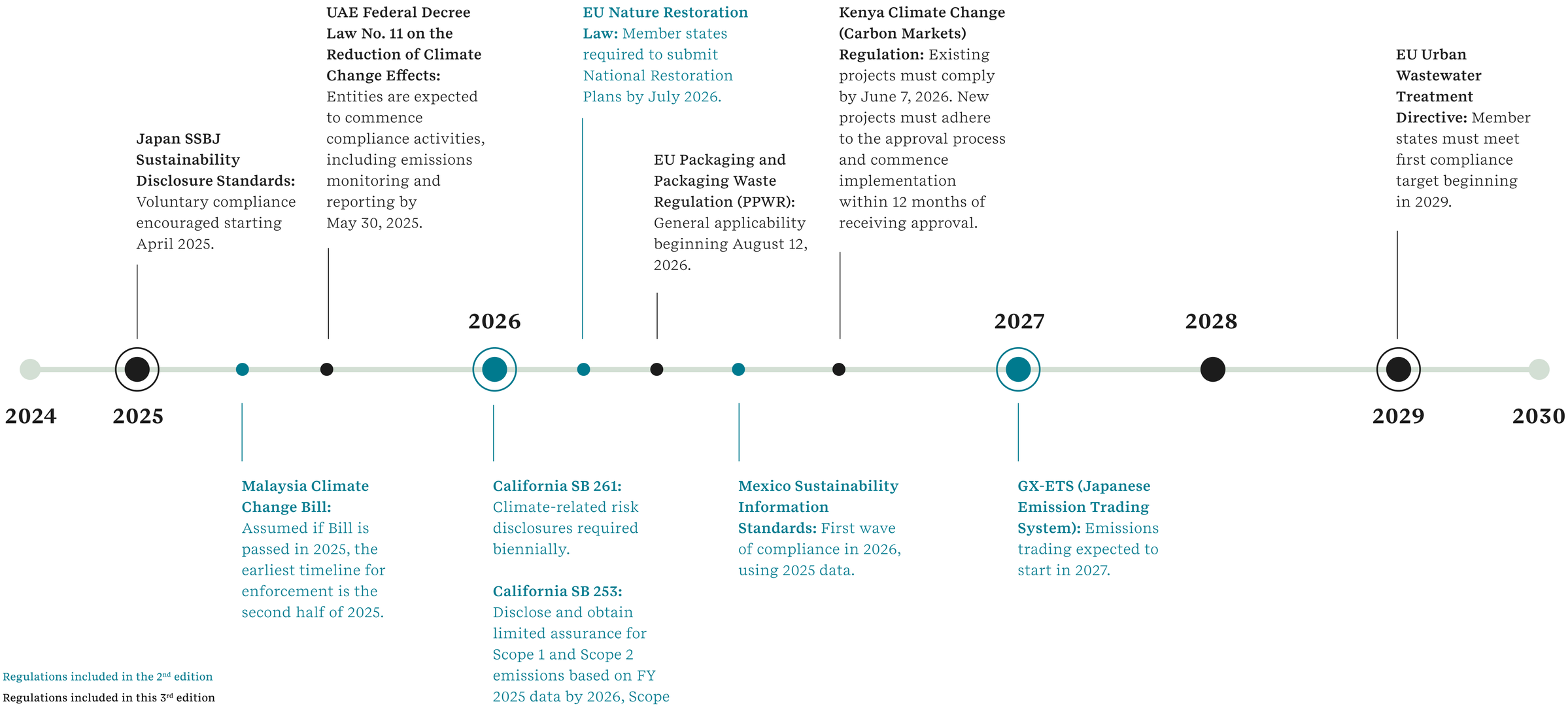
- Japan SSBJ Sustainability Disclosure Standards (2025)
- Malaysia Climate Change Bill (2025; proposed)



**These regulations' approaches are implemented at the country's state level; thus, the dates of effect vary across the United States.*
Note: The year indicates when each regulation came into effect, if applicable.

Figure 2: ESG and EHS Regulations Timeline

Deadlines for compliance with ESG-related regulations are fast approaching. This timeline highlights important dates for several key ESG-related regulations covered in this publication, as well as previous editions.



U.S. Updates

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The current U.S. political climate is creating significant uncertainty around the future of ESG and EHS regulations. As ESG becomes increasingly politicized, federal regulatory momentum has slowed, and key initiatives have been stalled, paused, or abolished. A wave of presidential executive orders (EOs), federal agency actions, and new legislative proposals are signaling shifts in national climate policy.

However, several U.S. states, such as California, Vermont, New York, and Washington, are continuing to advance ambitious climate commitments, with some enacting their own disclosure mandates and emissions reduction policies despite federal backsliding. The need to balance both federal and state-level compliance is generating both strategic ambiguity and operational challenges for businesses' compliance.

On the following page, we summarize key developments at the federal level that will have an impact on the regulation of ESG and EHS issues in the U.S.

One Big Beautiful Bill Act

House Republicans passed the "One Big Beautiful Bill Act" on May 22, 2025, a sweeping package that, among other things, aims to dismantle key provisions of the Inflation Reduction Act (IRA) by ending clean energy tax credits after next year.[1] On July 3, the House voted to adopt the Senate's amendments, sending the bill to President Trump for his signature. The legislation would sharply curtail tax credits for wind and solar power by requiring projects to begin construction by July 2026 in order to qualify, effectively phasing out the subsidies years earlier than under the IRA. It also repeals the electric vehicle tax credit by September 30, 2025, including incentives for leased vehicles and electric trucks, and ends credits for home energy efficiency upgrades by the end of the year. The bill further delays the IRA's methane emissions fee on oil and gas companies by a decade. Supporters say the changes will accelerate energy permitting and promote U.S. energy independence. Opponents argue the bill undercuts climate progress by slashing clean energy and efficiency incentives while expanding fossil fuel development.

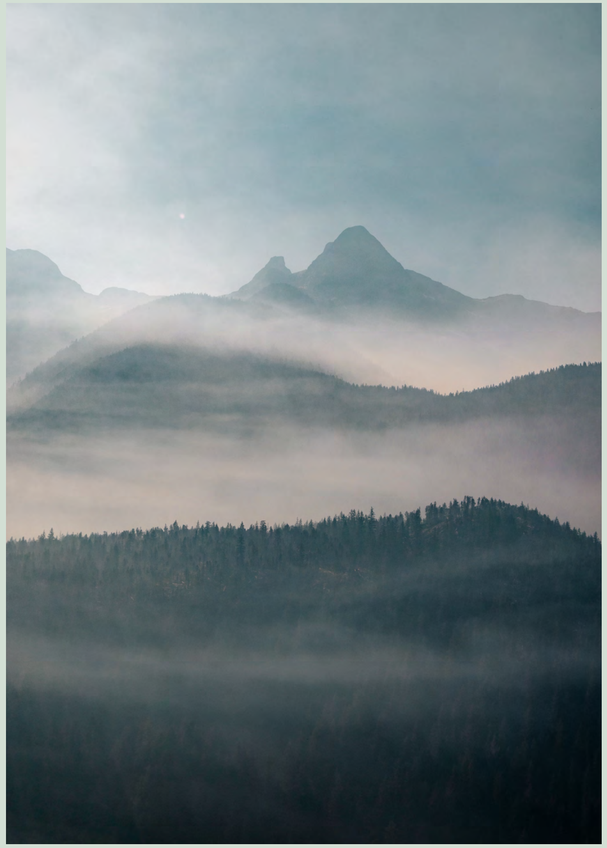
U.S. Environmental Protection Agency (EPA) Deregulation

On March 12, 2025, EPA Administrator Lee Zeldin initiated a sweeping rollback of environmental regulations across water, air, and climate sectors, marking what the agency describes as the most significant deregulatory action in U.S. history.[2] The agency claims these rollbacks will lower the cost of living for American families, making it more affordable to buy a car, heat homes, and operate businesses. Officials argue the changes will also spur domestic manufacturing and deliver widespread economic benefits to individuals and communities. These moves, however, have drawn criticism from environmental groups and bipartisan concern in Congress, with opponents arguing that the rollbacks prioritize industry interests over public health and environmental protection.

For more information about the EPA's new agenda, read the policy alert here.

PFAS Rollbacks: The EPA is delaying the compliance deadline for limits on perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS) in drinking water from 2029 to 2031, providing additional time for water systems, especially in rural areas, to meet the standards. Additionally, the Agency plans to rescind and reconsider limits on other types of PFAS compounds, or "forever chemicals," including PFHxS, PFNA, HFPO-DA (GenX), and PFBS, which were previously regulated under the Biden administration. Environmental and health experts have criticized these changes, warning that prioritizing industry interests over public health could result in continued water contamination. However, on April 28, 2025, the U.S. EPA released the following statement from Administrator Lee Zeldin "...we are tackling PFAS from all of EPA's program offices, advancing research and testing, stopping PFAS from getting into drinking water systems, holding polluters accountable, and providing certainty for passive receivers."[3] Some areas of focus include advancing Effluent Limit Guidelines (ELG), using Resource Conservation and Recovery Act (RCRA) authorities to address releases from manufacturing operations of producers and users of PFAS, and advancing remediation and cleanup efforts where drinking water supplies are impacted by PFAS contamination. While the rollbacks may extend the compliance deadline and requirements for water service providers, the changes may signal increased scrutiny and enforcement of certain industries.

Air Quality Standards Adjustments: The EPA is reconsidering and, in some cases, proposing to repeal several key air quality regulations. This includes the Mercury and Air Toxics Standards (MATS), which previously mandated significant reductions in mercury and other toxic emissions from coal-fired power plants. On April 8, 2025, President Trump granted a two-year compliance exemption for affected power plants.



On June 17, 2025, the EPA officially proposed to repeal specific amendments to MATS that were promulgated in May 2024.[4] Additionally, the EPA plans to review the National Ambient Air Quality Standards (NAAQS) for particulate matter (PM2.5), aiming to increase flexibility in their implementation.

Greenhouse Gas Emissions Regulations Rollbacks: EPA Administrator Lee Zeldin has announced a formal reconsideration of the 2009 Endangerment Finding, a foundational policy that underpins federal regulations on greenhouse gas (GHG) emissions.[5] This finding, established under the Obama administration, concluded that GHGs pose a threat to public health and welfare, thereby obligating the EPA to regulate them under the Clean Air Act. Reversing this finding could significantly weaken the federal government's ability to regulate climate pollutants. On June 17, 2025, the EPA officially proposed to repeal GHG emissions standards for power plants under the Clean Air Act, targeting both 2015 Obama-era regulations and 2024 Biden-era rules for fossil fuel-fired power plants, which the agency estimates would save the power sector $19 billion in regulatory costs over two decades.[6,7] In the June 17 action, the EPA also proposed, as an alternative, to repeal a narrower set of requirements that includes the emission guidelines for existing fossil fuel-fired

steam generating units and certain carbon capture and sequestration/storage (CCS)-based standards. The EPA is also reevaluating the Greenhouse Gas Reporting Program, which requires large emitters to report their emissions, citing the program's costs and questioning its direct relevance to regulatory development. In addition, the agency is reassessing the "social cost of carbon," a metric used to estimate the economic damages associated with carbon dioxide emissions, which could impact the justification for future climate regulations.

Even though the EPA has initiated a broad deregulatory agenda and sweeping changes, experts emphasize that revising or repealing regulations is a lengthy and complex process governed by the Administrative Procedures Act. During the formal rulemaking process, proposing rules, gathering public comment, and issuing final rules, which could take up to two years or longer, the current EPA is unlikely to enforce strict compliance with existing rules and regulations in the interim. Instead, the Agency may extend compliance deadlines or delay actions, citing the ongoing reversal process. This approach may itself face legal challenges, adding to an already uncertain landscape. For industry, this regulatory ambiguity poses significant challenges as companies try to navigate shifting compliance obligations and potential litigation risk.

U.S. Securities and Exchange Commission Climate Disclosure Rules

The U.S. Securities and Exchange Commission's (SEC) climate disclosure rule has now been effectively abandoned. It was immediately challenged in court and subsequently paused by the Biden administration. The Trump administration's recent decision not to pursue a legal defense of the rule further signals its end. This development signals a retreat from assertive federal climate action, highlighting the challenges of implementing comprehensive climate policies in a politically divided landscape.

Executive Orders

Recent executive orders by the U.S. White House administration have created significant uncertainty in the ESG landscape, rolling back key climate and social policies and leaving companies scrambling to adjust. The orders highlighted in the table below are likely to have the most significant implications for businesses and ESG efforts.

Executive Order Name	Summary	Potential Impact
ENERGY		
Unleashing American Energy	This executive order establishes a federal energy policy aimed at promoting energy production and exploration on federal lands and waters. It directs federal agencies to streamline permitting processes, rescind regulations that hinder domestic energy production, and eliminate mandates such as the electric vehicle (EV) requirement. The order also seeks to dismantle environmental justice provisions and reduce federal support for renewable energy initiatives.	The order is likely to benefit GHG emissions-intensive energy sectors by reducing regulatory burdens and accelerating project approvals, likely leading to increased domestic fossil fuel exploration and production. Conversely, it may negatively impact the renewable energy sector by withdrawing federal support and incentives, potentially slowing the development of clean energy projects. Environmental and public health sectors may also be affected due to the rollback of environmental justice provisions.
Declaring A National Energy Emergency	This executive order declares a national energy emergency, citing insufficient energy production, transportation, refining, and generation as threats to national security and the economy. It directs federal agencies to utilize emergency authorities to expedite energy and infrastructure projects, including leasing, siting, production, and transportation of domestic energy resources, particularly on federal lands.	The declaration may expedite the development of energy infrastructure projects, benefiting industries involved in fossil fuel extraction, transportation, and refining. However, the use of emergency powers to bypass standard permitting processes has raised legal challenges from states and environmental groups, potentially leading to litigation and uncertainty for project developers. The order may also strain relations between federal and state governments regarding energy policy and environmental protections.
Temporary Withdrawal of All Areas on the Outer Continental Shelf from Offshore Wind Leasing and Review of the Federal Government's Leasing and Permitting Practices for Wind Projects	This executive order temporarily halts all offshore wind energy leasing within the Outer Continental Shelf (OCS) and directs a comprehensive review of federal leasing and permitting practices for both onshore and offshore wind projects. It pauses the issuance of new or renewed approvals, permits, leases, or loans for wind projects until the review is completed.	The moratorium will likely delay or disrupt planned offshore wind projects, including five major projects currently under construction. While those projects are still advancing, temporary action, such as the Bureau of Ocean Energy Management's (BOEM) stop-work order on Empire Wind, which was lifted in late May, highlights the growing regulatory uncertainty. These delays affect not only developers but also supply chain partners and investors, potentially slowing momentum toward clean energy targets. The pause may reduce short-term spatial conflicts for the fishing industry and other maritime users, but it also increases uncertainty around future ocean use.

Executive Order Name	Summary	Potential Impact
CLIMATE		
Putting America First in International Environmental Agreements	This executive order directs the U.S. to withdraw from the Paris Climate Agreement and other international climate commitments. It mandates that future international environmental agreements prioritize U.S. economic interests and rescinds financial and policy commitments to global climate initiatives.	The withdrawal may benefit domestic GHG emissions-intensive industries by reducing international regulatory pressures. It could also hinder renewable energy, clean technology, and other sectors that rely on international cooperation and funding. Additionally, it may impact global climate efforts and alter the U.S.'s role in international environmental leadership.
Initial Rescissions Of Harmful Executive Orders And Actions	This order revokes 78 executive actions from the previous administration, including those related to climate change, diversity, equity, and inclusion (DEI), and immigration policies. It aims to restore what it considers to be "common sense" to the federal government and "unleash the potential of American citizens."	The rescission of climate-related orders may lead to reduced regulation and restrictions placed on GHG emissions-intensive industries and reduced emphasis on renewable energy, particularly affecting energy and environmental sectors. The rollback of DEI initiatives could impact federal contractors and organizations that had implemented such programs, leading to shifts in hiring and workplace policies.
DIVERSITY, EQUITY, AND INCLUSION (DEI)		
Ending Radical And Wasteful Government DEI Programs And Preferencing	This order terminates federal DEI programs and offices, eliminates DEI-related personnel, and mandates the removal of preferred pronouns in government communications. It seeks to end what it describes as public waste and discrimination associated with DEI initiatives.	Federal agencies will undergo significant restructuring, affecting employees involved in DEI roles. Private sector organizations, especially federal contractors, may reevaluate their DEI programs to align with the new federal stance, potentially leading to legal and compliance challenges.
Ending Illegal Discrimination And Restoring Merit-Based Opportunity	This executive order aims to end potential discrimination against all individuals/ groups, including those who are not part of ethnic minorities, by revoking affirmative action policies and promoting merit-based hiring and admissions. It asserts that federal civil rights laws prohibit race- and gender-conscious practices.	Educational institutions and federal contractors may need to revise their admissions and hiring practices to comply with the new merit-based focus. This could lead to legal challenges and shifts in diversity initiatives within organizations that previously implemented affirmative action policies.

ESG & EHS Regulations Matrix

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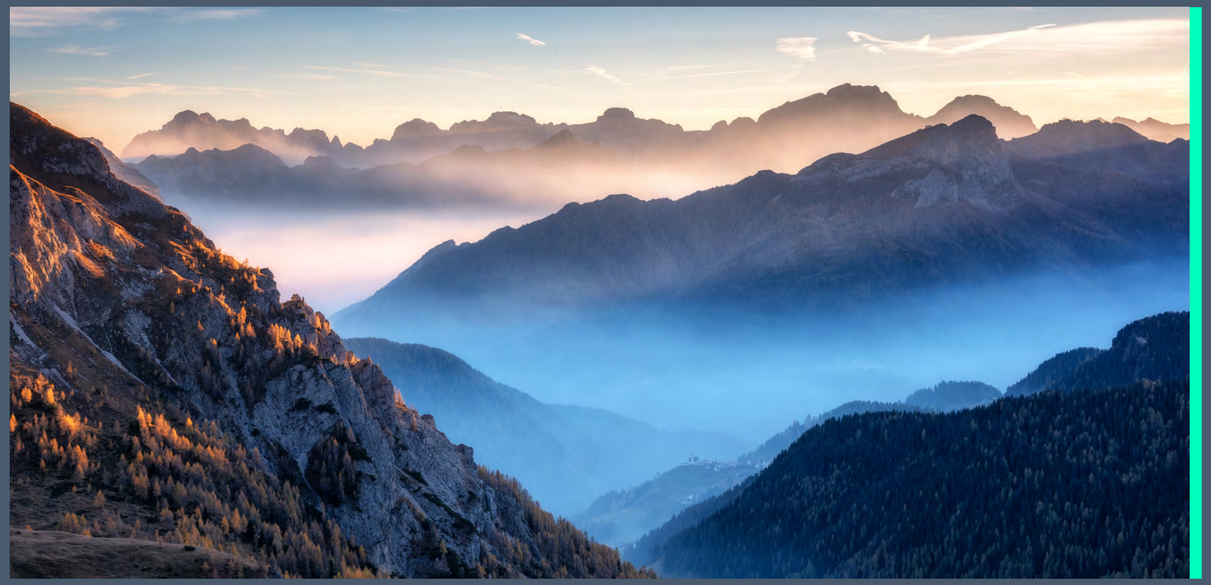
General Sustainability

A growing number of jurisdictions are establishing cross-sector standards that aim to enhance transparency, consistency, and accountability. In Japan, the newly issued SSBJ standards mark a significant step in aligning with the broader IFRS S1 and S2 standards issued by the ISSB. Meanwhile, in the U.S., extended producer responsibility laws are gaining momentum at the state level, shifting the burden of packaging waste management from municipalities to producers and accelerating innovation in product design and circularity. Together, these developments signal a broader global shift toward integrated sustainability governance that reaches beyond climate into areas of resource use, supply chain responsibility, and long-term value creation.

Regulation Name	Rule Highlights	Scope of Regulation	Business Context	Timeline for Compliance	Applicability Criteria
GENERAL SUSTAINABILITY					
U.S. Extended Producer Responsibility (EPR) Regulations	Extended Producer Responsibility (EPR) regulations in the U.S. shift the responsibility for the end-of-life management of packaging materials from municipalities to producers. These laws require producers to finance and manage the collection, recycling, and disposal of packaging waste. Key components include mandatory reporting, fee payments based on packaging volumes, and participation in Producer Responsibility Organizations (PROs). The primary objectives are to reduce packaging waste, enhance recycling rates, and alleviate the financial burden on local governments.	Seven U.S. states have enacted packaging EPR laws. Five, Oregon, California, Colorado, Maine, and Minnesota, have compliance deadlines in 2025 and 2026. Washington and Maryland passed legislation in 2025, with compliance deadlines set for later years. Each state's legislation varies in terms of covered materials, fee structures, and implementation strategies. Generally, these laws apply to producers of packaging materials, including manufacturers, importers, and brand owners operating within the respective states.	Producers are required to assess their packaging materials, report data, and pay fees corresponding to the amount and recyclability of packaging introduced into the market. Participation in PROs is often mandated to collectively manage compliance obligations. These regulations incentivize producers to design more sustainable packaging and can impact supply chain decisions, product design, and corporate sustainability strategies.	Implementation timelines differ by state. Producers should monitor state-specific timelines to ensure timely compliance. **Annual reporting deadlines:** Oregon: March 31, 2025 California: August 31, 2025 Colorado: July 31, 2025 Maine: May 1, 2026 Minnesota: Not yet established Washington: Not yet established Maryland: July 1, 2029	Applicability is determined by factors such as the type and amount of packaging produced, annual revenue thresholds, and operational presence within the state. For example, Maine's law applies to producers with over $2 million in gross revenue or those introducing more than one ton of packaging into the state, or more than 15 tons of packaging material on perishable food sold or distributed annually. Specific criteria vary by jurisdiction, necessitating a thorough review of each state's requirements.
Japan SSBJ Sustainability Disclosure Standards	Issued on March 5, 2025, by the Sustainability Standards Board of Japan (SSBJ), these standards aim to enhance corporate sustainability reporting in Japan. The framework comprises three core standards: (1) the Application Standard, outlining general requirements for sustainability disclosures; (2) the General Standard, focusing on sustainability risks and opportunities; and (3) the Climate Standard, addressing climate-related disclosures. These standards are aligned with the ISSB's IFRS S1 and S2, with certain jurisdiction-specific modifications to accommodate Japan's regulatory environment.	These standards are primarily targeted at companies listed on the Prime Market of the Tokyo Stock Exchange, including foreign entities. The standards are designed to be consistent with international norms while considering Japan-specific requirements.	Japan's SSBJ standards facilitate improved ESG reporting by aligning Japanese companies with the expectations of global investors. They enhance risk management by offering a structured framework for disclosing sustainability-related risks and opportunities. Additionally, the alignment with international standards, including IFRS S1 and S2, supports greater comparability and transparency, which may help attract foreign investment.	Standards were finalized in March 2025. Voluntary adoption is encouraged from April 2025, with expectations for mandatory reporting to follow. The Financial Services Agency (FSA) is considering a phased implementation based on company size, with larger companies (market capitalization over ¥3 trillion ($19 billion USD)) expected to comply by the fiscal year ending March 31, 2027, and smaller companies in subsequent years.	Currently applicable to companies listed on the Prime Market of the Tokyo Stock Exchange. Future applicability may extend based on regulatory decisions, with considerations for company size and market capitalization influencing the phased implementation



Environment & Climate

Environmental and climate regulations are evolving rapidly as governments in many regions implement comprehensive frameworks to address pollution, resource management, and climate resilience.

The European Union is at the forefront with its Packaging and Packaging Waste Regulation, which mandates that all packaging is recyclable by 2030, introduces restrictions on certain single-use plastics, and sets targets for recycled content, aiming to reduce greenhouse gas emissions and promote a circular economy. Complementing this, the revised Urban Wastewater Treatment Directive requires advanced treatment processes, including the removal of micropollutants, with industries like pharmaceuticals and cosmetics bearing the majority of associated costs, thereby reinforcing the ‘polluter pays’ principle.

In Africa, Kenya has introduced the Climate Change (Carbon Markets) Regulations, establishing a structured framework for both voluntary and compliance carbon markets. These regulations emphasize environmental integrity, prohibit double-counting of emissions reductions, and ensure that carbon projects contribute to national climate goals.

Within the United States, jurisdictions are advancing Building Performance Standards (BPS), performance-based policies aimed at reducing energy use and operational costs in existing buildings. These standards set targets for energy use or other performance metrics and can improve indoor air quality, thermal comfort, and occupant safety, such as maintaining livable indoor temperatures during heat waves. BPS policies are being adopted at various jurisdictional levels, reflecting a commitment to enhancing energy efficiency and reducing emissions in the building sector.

In the Middle East, the United Arab Emirates enacted Federal Decree-Law No. 11 of 2024 on the Reduction of Climate Change Effects, signaling a national commitment to climate mitigation and adaptation strategies.

Regulation Name	Rule Highlights	Scope of Regulation	Business Context	Timeline for Compliance	Applicability Criteria
ENVIRONMENT AND CLIMATE					
EU Packaging and Packaging Waste Regulation (PPWR)	The PPWR aims to minimize packaging waste and promote a circular economy. Key provisions include: • mandatory recyclability of all packaging by 2030; • minimum recycled content requirements for plastic packaging; • bans on certain single-use packaging items; • and harmonized labeling to enhance recycling efforts. The regulation replaces the previous directive, ensuring uniform application across all EU member states.	Applies to all packaging and packaging waste placed on the EU market regardless of material. This encompasses domestic and imported products across various sectors, including household, commercial, and industrial sectors. Certain exemptions exist, such as for specific materials (e.g., cork, wood, textiles, ceramics), medical devices, and the transport of dangerous goods.	Businesses must adapt their packaging to meet design requirements intended to improve circularity. Factors include alignment with definitions for recyclability, incorporation of recycled content (for plastics), and minimization of packaging mass and/or volume. Some of these criteria are considered market entry conditions; others may result in fines for non-compliant designs. While meeting these requirements may leave businesses incurring redesign and compliance costs, aligning with PPWR can enhance brand reputation, meet consumer demand for sustainability, and ensure market access within the EU. Companies that proactively adjust may gain competitive advantages and contribute to environmental goals.	The regulation entered into force on February 11, 2025, with general applicability starting 18 months later, on August 12, 2026. Provisions will be implemented gradually between 2026 and 2040. For instance, starting in 2026, economic operators must ensure packaging meets new design and material restrictions, including limits on PFAS and certain single-use formats. Beverage producers must comply with deposit return system rules by the end of 2028, and by 2030, all packaging must be recyclable, with some types, like contact-sensitive PET, containing at least 30% recycled content. Requirements increase by 2040, including a 50% recycled content target for PET and a 40% reuse target for select packaging formats.	All entities placing packaging on the EU market, including manufacturers, importers, retailers, and distributors, are subject to PPWR. Specific obligations may vary based on factors like company size, packaging volume, and product category.
EU Urban Wastewater Treatment Directive	The revised Directive aims to enhance water quality and environmental protection across the EU. Key objectives include: • improving water quality through stricter treatment standards and the inclusion of prescribed limits for new pollutants specifically targeted at the removal of active pharmaceutical ingredients from wastewaters; • strengthening the polluter-pays principle by ensuring those responsible for pollution bear remediation costs; • advancing circularity via water reuse and resource recovery; • and addressing climate change by reducing greenhouse gas emissions from treatment plants and adapting to heavy rainfall.	Mandates that across all EU Member States, quaternary treatment should be applied to all urban WWTPs of 150,000 population equivalent (p.e.) and above. The focus is on cosmetic and pharmaceutical residues which form the majority of micro-pollutants. It mandates actions from national and municipal authorities concerning infrastructure, monitoring, and public sanitation access.	The Directive introduces financial obligations for pharmaceutical and cosmetic producers under extended producer responsibility schemes. At least 80% of the full costs for complying with the stipulated requirements for quaternary treatment should be covered from extended producer responsibility. It encourages investment in advanced water treatment technologies and energy-efficient infrastructure along with promoting innovation in the water sector and supporting circular economy practices through resource recovery and water reuse, aligning with broader EU sustainability and climate goals.	The directive entered into force on January 1, 2025. Member States must meet phased targets: • Producers who place any of the listed products on the market have extended producer responsibility by 2028; • Sanitation access improvements by 2029; • Tertiary treatment for large WWTPs (150,000 p.e. and above) by 2039; • Full quaternary treatment by 2045 (for all WWTPs with a load of 150,000 p.e. and above), with interim goals in 2033 (20%), and 2039 (60%) • Energy neutrality targets for WWTPs serving ≥10,000 p.e. also apply by 2045.	Obligations apply to all urban WWTPs with a phased approach depending on the p.e. load. The extended producer responsibility measures apply to producers of pharmaceuticals and cosmetics placed on the EU market. Monitoring and reporting duties are mandated for operators of relevant WWTPs.

Regulation Name	Rule Highlights	Scope of Regulation	Business Context	Timeline for Compliance	Applicability Criteria
ENVIRONMENT AND CLIMATE					
EU Urban Wastewater Treatment Directive Cont.	While the regulation requires improved treatment at municipal urban wastewater treatment plants (WWTPs), notable provisions include mandatory quaternary treatment to remove micropollutants, the recovery of costs for treatment from pharmaceutical and cosmetic industries specific sectors via extended producer responsibility principles, energy neutrality targets for large WWTPs by 2045, and public health monitoring for pathogens and antimicrobial resistance.				
Kenya Climate Change (Carbon Markets) Regulations	Enacted under Legal Notice 84 of 2024, these regulations establish a comprehensive framework for carbon market operations in Kenya, encompassing both voluntary and compliance markets. Key provisions include the establishment of a Designated National Authority (DNA) to oversee carbon projects, the creation of a National Carbon Registry, the appointment of sector registrars for different industries, and the requirement for project proponents to obtain approvals and adhere to specified procedures. The regulations also mandate environmental and social impact assessments, benefit-sharing mechanisms, and compliance with international standards such as Article 6 of the Paris Agreement.	Applies to all entities participating in carbon market activities within Kenya, including public and private entities engaged in carbon projects, trading, and related activities. The regulations cover various sectors such as energy, transport, agriculture, forestry, industrial processes, and waste management.	This regulation provides opportunities for businesses to participate in carbon trading, potentially generating revenue through the sale of carbon credits. It encourages investment in sustainable projects and technologies that support the country's climate goals. The regulations also impose obligations, including benefit-sharing with local communities and compliance with environmental and social safeguards, which can influence how projects are planned and implemented.	The regulations came into effect on June 7, 2024. Existing projects must comply within two years and conduct an environmental audit within six months. New projects must adhere to the approval process and commence implementation within 12 months of receiving approval.	Applicable to all carbon market participants in Kenya, including project proponents, traders, and other stakeholders as defined in the regulations. Specific criteria include obtaining necessary approvals, conducting environmental and social impact assessments, and fulfilling benefit-sharing obligations where applicable.

Regulation Name	Rule Highlights	Scope of Regulation	Business Context	Timeline for Compliance	Applicability Criteria
ENVIRONMENT AND CLIMATE					
U.S. Building Performance Standards	Building Performance Standards (BPS) are policies adopted by various U.S. state and local governments that set specific performance targets for existing buildings to improve energy efficiency and reduce greenhouse gas (GHG) emissions. These standards often build upon benchmarking data and may include interim targets and more stringent, longer-term targets to drive continuous improvement. BPS requirements can address various aspects such as energy use intensity, GHG emissions, and water usage. They are designed to complement existing energy codes and encourage investments in energy efficiency, electrification, and renewable energy.	BPS requirements are implemented at the state and local levels across the U.S., including jurisdictions like New York City, Washington, D.C., St. Louis, Denver, and the states of Washington and Colorado. They typically apply to existing commercial and multifamily residential buildings above a certain size threshold, with specific criteria varying by jurisdiction.	For building owners and operators, BPS requirements present both challenges and opportunities. Building owners who fail to comply with the multi-year standards (by deadlines as soon as summer 2025) can incur penalties exceeding $1,000,000 per site. Compliance may require significant investments in building upgrades, but can lead to reduced operational costs, enhanced property values, and improved tenant satisfaction. Strategic compliance with BPS requirements in multiple jurisdictions can ensure investments align with future planning across a business's portfolio. Additionally, aligning with BPS requirements can position businesses as leaders in sustainability and help meet corporate ESG goals.	Compliance timelines vary by jurisdiction. For example, New York City's Local Law 97 set emission limits starting in 2024, with stricter limits in 2030. Washington, D.C.'s Building Energy Performance Standards require compliance beginning in 2026. Jurisdictions often provide phased timelines and interim targets to allow building owners to plan and implement necessary reporting and improvements.	Applicability is determined by factors such as building type, size, and usage. Typically, commercial and multifamily residential buildings exceeding a certain square footage (e.g., 25,000 square feet) are subject to BPS requirements. Specific thresholds and criteria are defined by each jurisdiction's policy.
UAE Federal Decree-Law No. 11 of 2024 on the Reduction of Climate Change Effects and Cabinet Resolution No. (67) of 2024 Concerning the National Register For Carbon Credits	Establishes the UAE's first legally binding climate framework to support national Net Zero by 2050 targets. Requires all entities to adopt measures to reduce GHG emissions, improve climate resilience, and support sustainable development. Mandates climate risk assessments and adaptation plans, setting and meeting annual emissions reduction targets, and reporting of climate data. It also introduces a national carbon credit registry. This marks a shift from voluntary ESG guidance to enforceable climate obligations.	The law applies to all public and private entities operating within the UAE, including those in free zones. It encompasses all sectors contributing to GHG emissions and climate-related risks, ensuring a unified approach to climate action across the nation.	Businesses are required to integrate climate considerations into their operations, including establishing systems for GHG emissions tracking, reporting, and reduction. Entities engaging proactively may benefit from participation in carbon markets and alignment with global sustainability standards, enhancing their competitive advantage. Potential financial and reputational risks for non-compliance with penalties for non-compliance (AED 50,000 to AED 2 million ($13,600 to $545,000 USD)).	The decree was enacted on August 28, 2024, and came into effect on May 30, 2025. Entities are expected to commence compliance activities, including emissions monitoring, disclosure, and climate risk and adaptation reporting. Sector-specific requirements will likely be rolled out in 2025–2026.	The law applies to all UAE entities, regardless of size or sector, but mandates compliance only for large emitters (≥500,000 metric tons CO2e/year). Smaller entities are encouraged, but not required, to participate. This includes companies in free zones, ensuring comprehensive national coverage.

Updates to regulations since February 2025

The table on the following page includes important updates on the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy, and the Carbon Border Adjustment Mechanism (CBAM), now consolidated under the EU Omnibus, as well as California's Climate Corporate Data Accountability Act (SB 253) and Climate Related Financial Risk Act (SB 261), since their initial coverage in the first and second Radar editions.

Regulation Name	Updates since February 2025
EU Omnibus	In February 2025, the European Commission introduced the EU Omnibus, a proposal to overhaul existing European sustainability regulations. The principal regulations the EU Omnibus aims to simplify and streamline are the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy, and the Carbon Border Adjustment Mechanism (CBAM). **The proposed changes to these regulations are:** • **CSRD:** The EU Omnibus proposal would significantly narrow the scope of the CSRD by raising the threshold for in-scope companies to those with over 1,000 employees and at least €50 million in turnover or €25 million in assets, excluding about 80% of previously covered firms. It also simplifies reporting by reducing the volume of required data, extending implementation timelines, and removing the planned move from limited to reasonable assurance, a shift that would have required more rigorous external auditing of sustainability information. • **CSDDD:** Changes to the CSDDD include limiting due diligence to direct suppliers unless harm from indirect suppliers is clearly indicated. Large companies would be restricted in how much information they can demand from small- and medium-sized suppliers, and their exposure to legal liability would be reduced under the new proposal. • **EU Taxonomy:** The proposed changes would limit mandatory EU Taxonomy reporting to companies with at least 1,000 employees and €450 million in turnover. Reporting requirements would also be simplified by reducing the number of required data points by two-thirds and standardizing disclosures. • **CBAM:** CBAM would exempt importers of less than 50 metric tons of covered goods per year under the Omnibus proposal, removing compliance obligations for about 90% of covered entities while still capturing 99% of relevant emissions. This change is intended to streamline the system and reduce administrative burdens. As of April 14, 2025, the EU Parliament approved a key part of the EU Commission's Omnibus I package, the so-called 'stop-the-clock' proposal. The approved 'stop-the-clock' proposal will delay the application of the CSRD and the associated EU Taxonomy for all companies not yet subject to their reporting obligations by two years, and the CSDDD by one year. On June 20th, EFRAG submitted a progress report to the European Commission outlining its ongoing work to revise and simplify the European Sustainability Reporting Standards (ESRS) by October 31, 2025, in line with its mandate to reduce reporting burdens on companies while maintaining the core goals of the CSRD. The process is on track, with key steps completed, including stakeholder input from over 820 contributors and early drafts of revised standards. The report identifies six core simplification levers: streamlining the Double Materiality Assessment, improving readability and flexibility in report structure, reducing duplication in Minimum Disclosure Requirements, clarifying mandatory versus voluntary content, introducing targeted reliefs (e.g. for value chain data and sensitive information), and enhancing alignment with global standards like the ISSB. EFRAG anticipates more than a 50% reduction in mandatory data points by eliminating or reclassifying overly detailed or redundant disclosures. A revised Exposure Draft is expected in late July for public consultation, with final technical advice to follow by October. For more information on the EU Omnibus and the proposed changes, you can listen to ERM's latest webinar here or read the policy alert here.

Regulation Name	Updates since February 2025
California SB 253 and SB 261	**SB 253** Affected entities: U.S.-based entities doing business in California with more than $1 billion in annual revenue. Scope 1 and 2 emissions: In-scope entities must publicly disclose and obtain limited assurance for Scope 1 and 2 emissions starting in 2026, based on the prior fiscal year (2025). The disclosure deadline will be set by the California Air Resources Board (CARB). Scope 3 emissions: Starting in 2027, CARB will establish specific schedules for disclosing scope 3 emissions, which will replace the previous requirement to file within 180 days of Scope 1 and 2 disclosures. Key provisions: • Allows for the use of existing reporting standards such as the GHG protocol • Fee authority for administration and implementation costs • No penalties in 2026 if companies show a good faith effort • Use existing data for initial emissions reports **SB 261** Affected entities: U.S.-based entities doing business in California with more than $500 million in annual revenues. Requires that by January 1, 2026, and biennially thereafter, companies must make publicly available a report on climate-related financial risks and any measures they have adopted to reduce and adapt to those risks. Allows for the use of existing voluntary reporting frameworks like the ISSB standards (evolved from the TCFD framework). CARB held a public workshop on May 29, 2025, where it reaffirmed the compliance deadlines for both laws but extended the timeline for releasing implementing regulations and guidance. Regulation disclosure requirements and templates for implementation for SB 253 and SB261 are now expected mid-2025.

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Appendix:
Additional Information

Regulation	Rule Citation & Link	Regulating Agency	ERM Contact	Related ERM Thought Leadership
GENERAL SUSTAINABILITY				
Japan SSBJ Sustainability Disclosure Standards	SSBJ Standards: https://www.ssb-j.jp/en/ssbj_standards.html *The Financial Accounting Standards Foundation (FASF) is in a contractual agreement with the IFRS® Foundation. Due to this agreement, the Sustainability Disclosure Standards, developed by the Sustainability Standards Board of Japan (SSBJ), are exclusively available within Japan and cannot be accessed or distributed outside of Japan.*	Financial Services Agency (FSA) of Japan	Yuichi Abe yuichi.abe@erm-sumitrust.com	**ISSB's IFRS S1/S2:** Laying the foundation for global mandatory disclosures Preparing for ISSB: 10 Essential Steps for APAC Businesses
U.S. Extended Producer Responsibility (EPR) Regulations	*EPR is a policy approach implemented at the state level, so regulations vary across the United States. For state-specific details, consult the website of the appropriate state agency or legislature.* General information about EPR can be found here: https://epr.sustainablepackaging.org/	*EPR laws are developed and implemented by individual U.S. states, and the responsible agencies vary depending on the state and the type of product covered.*	Lee Read lee.read@erm.com Liv Hickey liv.hickey@erm.com	**The ABCs of EPR:** What consumers REALLY expect from companies on packaging end-of-use
ENVIRONMENT AND CLIMATE				
EU Packaging and Packaging Waste Regulation	**Regulation (EU) 2025/40 of the European Parliament and of the Council of 19 December 2024 on packaging and packaging waste, amending Regulation (EU) 2019/1020 and Directive (EU) 2019/904, and repealing Directive 94/62/EC:** https://eur-lex.europa.eu/eli/reg/2025/40	European Commission, enforcement via European member state authorities	Annette Koehler annette.koehler@erm.com Beth Murphy beth.murphy@erm.com Lucy Eggleston lucy.eggleston@erm.com	**Blog:** Comply, Save Money and Grow - how PPWR will revolutionize packaging in the EU and beyond
EU Urban Wastewater Treatment Directive	**Directive (EU) 2024/3019 of the European Parliament and of the Council of 27 November 2024 concerning urban wastewater treatment (recast):** https://eur-lex.europa.eu/eli/dir/2024/3019	European Commission, enforcement via European member state authorities	Helen Seyler helen.seyler@erm.com Thomas Collin thomas.collin@erm.com Andrea Arca andrea.arca@erm.com	
Kenya Climate Change (Carbon Markets) Regulation	The Climate Change (Carbon Markets) Regulations, 2024: https://new.kenyalaw.org/akn/ke/act/ln/2024/84/eng@2024-06-07	Kenya National Environment Management Authority (NEMA)	Gulf Magut Gulf.Magut@erm.com	
U.S. Building Performance Standards	U.S. Building Performance Standards (BPS) are a policy approach implemented at the state level, so regulations vary across the United States. For state-specific details, consult the website of the appropriate state agency or legislature. General information about BPS can be found here: https://www.energycodes.gov/BPS	BPS regulations are enforced by state or local agencies, typically departments focused on energy, environment, or buildings. For details, refer to the specific jurisdiction's environmental or building authority.	Cassandra Kubes cassandra.kubes@erm.com	
UAE Federal Decree-Law No. 11 of 2024 on the Reduction of Climate Change Effects and Cabinet Resolution No. (67) of 2024 Concerning the National Register For Carbon Credits	**Federal Decree-Law No. (11) of 2024 On the Reduction of Climate Change Effects:**https://uaelegislation.gov.ae/en/legislations/2558 and **Cabinet Resolution No. (67) of 2024:** https://uaelegislation.gov.ae/en/legislations/2521/download Effective Date: 30 May 2025 Applies to: All public and private entities across the UAE, including free zones	UAE Ministry of Climate Change and Environment (MOCCAE)	Rahul Arora rahul.arora@erm.com Graham Lane graham.lane@erm.com	

Endnotes

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About

At ERM, sustainability is our business. We are the world's largest advisory firm focused solely on sustainability, offering unparalleled expertise across business and finance. ERM partners with clients to operationalize sustainability at pace and scale, through our unique combination of strategic transformation and technical delivery capabilities. Our diverse global team of experts works with the world's leading organizations to help them set clear sustainability targets, measure progress and operationalize strategy through deep implementation and business transformation. With more than 50 years of experience, our ability to integrate sustainability solutions and our depth and breadth of technical knowledge are why organizations choose to partner with us as their trusted advisor.

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