

E3G's technical response to the draft revised ESRS Delegated Act

03/06/2026

Summary

E3G welcomes the European Commission's decision to broadly align the draft revised European Sustainability Reporting Standards (ESRS) Delegated Act (DA) with EFRAG's final advice on the simplified reporting standards. Nonetheless, certain elements within the draft ESRS DA risk undermining the data quality and comparability of sustainability disclosures.

We strongly welcome the preservation of double materiality as the basis for the EU sustainability reporting framework, maintaining impact and financial materiality as inherently interconnected lenses to interpret and address corporate sustainability-related matters. Additionally, we positively acknowledge the clarification and policy coherence between due diligence disclosures in the ESRS and the regulatory obligations set under the Corporate Sustainability Due Diligence Directive (CSDDD).

EFRAG's advice achieves an already significant simplification exercise, estimated to reduce over 60% of previous datapoints. We recommend the European Commission address specific improvements within the draft ESRS DA, which are necessary to preserve the core elements of transparency enshrined in the Corporate Sustainability Reporting Directive (CSRD). E3G's recommendations are also tailored to ensure the usability, comparability, and credibility of the sustainability-related information disclosed through the EU sustainability reporting framework.

Specifically, E3G's technical feedback focuses on the following topics:

- ▶ Introduce stricter justifications and time limits for **reliefs and phase-ins**.
- ▶ Clarify specific provisions regarding **climate transition plans** in ESRS E1.
- ▶ Reintroduce clear **boundaries for calculation of GHG emissions**.
- ▶ Reintroduce **EU Taxonomy indicators** across the ESRS standard.

Technical feedback and recommendations

1. Introduce stricter justifications and time limits for reliefs and phase-ins

EFRAG's final advice on the simplified ESRS introduced a series of permanent reliefs and additional phase-ins, with the purpose of reducing compliance costs and guarantee a learning curve amongst practitioners. However, such reliefs were not accompanied with sufficient strict justifications and sunset clauses for safeguarding the quality and comparability of corporate sustainability data. Their implementation across the ESRS general and topical standards risks leading to opportunistic behaviour and undermining the transparency purpose of the CSRD.

The European Commission draft ESRS DA falls short of limiting the implications of such reliefs and phase-ins. For this reason, E3G considers crucial for policymakers to implement the following recommendations:

- **Restriction of 'undue cost or effort' relief:** The cross-cutting and permanent nature of this relief seriously undermine the quality and comparability of Information contained into sustainability reports. Applicable to all metrics without a time-limit, the 'undue cost or effort' relief could disincentivise practitioners from improving their data quality and coverage over the years. European supervisory authorities, i.e. ESMA¹, EBA² and EIOPA³, and the European Central Bank (ECB)⁴ have previously raised their concerns over the implications of such relief for sustainability information. For this reason, **E3G recommends making this relief temporary, applicable until financial year 2029.** Moreover, the 'undue cost or effort' relief broadly originates from the IFRS S1 standard. Its introduction in the ESRS contributes to enhance interoperability and bridge format differences between the two frameworks. However, under the IFRS S1 the 'undue cost or effort' relief is limited to anticipated financial effects, whereas the draft ESRS DA extends its application to all metrics. Such extension is directly detrimental to safeguarding a high-level of interoperability between the ESRS DA and the IFRS S1. **E3G recommends aligning the applicability of the 'undue cost or effort' relief only to the limitation contained in the IFRS S1 framework.**
- **Omission of quantitative anticipated financial effects for lack of skills, capabilities, or resources:** Estimating and qualifying anticipated financial effects of sustainability-related matters is a core aspect of the practice of sustainability reporting. It represents one of the most relevant disclosures required by users of

¹ ESMA, Opinion of the European Securities and Markets Authority on EFRAG's technical advice on revised European Sustainability Reporting Standards (ESRS), Feb 2026

² EBA, Opinion of the European Banking Authority on the draft simplified European Sustainability Reporting Standards (ESRS), Feb 2026

³ EIOPA, Opinion to the European Commission on EFRAG's technical advice on the amended European Sustainability Reporting Standards, Feb 2026

⁴ European Central Bank, ECB staff opinion on the revised European Sustainability Reporting Standards (ESRS), Feb 2026

sustainability information, in particular investors. Considering the Omnibus I simplification package amendments to the CSRD scope, the ESRS DA will apply to very large companies, with more than 1,000 employees and €450 million net turnover. We consider disproportionate to grant such relief to very large entities in a permanent manner. Therefore, **E3G suggests making the relief temporary, with a time limit to financial year 2029.**

- **Exclusion of joint operations from environmental metrics beyond climate:** As raised by EBA's opinion on the draft revised ESRS, the relief risks incentivising practitioners to misuse the joint operation business structures as a means of circumventing the disclosure of environmental obligations, triggering the existing reliefs related to data availability. The relief is particularly relevant for the Oil and Gas industry, where joint operations are a common operational structure for exploration, production and infrastructure projects. The permanent relief could allow Oil and Gas companies to potentially disclose misleading environmental metrics. Similarly to respectively EBA's and ESMA's advice, **E3G considers important to either (i) remove the permanent relief or, at least, (ii) apply a strict time limit.**
- **Unconditional relief over acquisitions and disposals:** The relief allows the practitioner that acquires, or disposes of, a business in a specific reporting period to omit such business from the materiality assessment and sustainability report to the following reporting period. As previously assessed by the ECB and the EBA, the unconditional nature of the relief would allow the omission of sustainability-related information even in a situation where such information would be readily available to the practitioner. Moreover, the relief creates more discrepancies between the ESRS and the IFRS S1, as the latter does not contain such measure. Thus, **E3G recommends making the use of this relief conditional on absence of data obtainable without undue cost or effort.**

2. Clarify specific provisions regarding climate transition plans in ESRS E1

E3G strongly supports the European Commission's decision to preserve the core elements of climate transition plan structure in the ESRS E1. Transition plans represent a critical instrument for businesses and financial institutions to analyse and tackle climate-related risks and opportunities. The forward-looking information disclosed within such plans is extremely valuable to users of sustainability information, ranging from investors and financial institutions to regulators and policymakers.

However, there are two specific provisions that we consider relevant to address:

- **Clarification of misalignment with 1.5°C scenario:** the draft ESRS DA introduces misleading wording on the comparability of climate transition plans with 1.5°C scenario. Companies are allowed to disclose climate targets that are not aligned with the 1.5°C goal of the Paris Agreement, provided they also report how these

targets compare to a 1.5°C pathway. We consider the European Commission's current wording to leave room for misinterpretation or opportunistic behaviour. It could allow companies to disclose climate transition plans even if they are largely incompatible with a 1.5°C pathway. E3G suggests the European Commission to strengthen the definition, for instance by requiring misaligned companies to comply to stricter requirements on aligning with credible transition pathways in the near future.

- **Reinstating mandatory climate scenario analysis:** Scenario analysis is an internationally-recognised, fundamental instrument for adequately assessing climate-related financial risks, whether physical or transition risks. As echoed by the ECB, moving away from mandatory climate scenario analysis would represent an undue regression from the original ESRS structure. Moreover, making it voluntary creates a divergence with the IFRS S2 framework. Therefore, **E3G calls for the European Commission to reinstate mandatory climate scenario analysis in transition plan disclosures.**

3. Reintroduce clear boundaries for calculation of GHG emissions

The European Commission introduced a significant change to how companies select and define the boundary of their GHG emissions. Previously, the ESRS recommended practitioners to use financial control as the starting point for their GHG emissions estimates. Only in the circumstances that reported information under financial control would be insufficient to portray the emissions resulting from operating assets, then companies could calculate Scope 1 and Scope 2 emissions based on operational emissions.

The European Commission's wording allows companies to freely select any method, without justification or prioritisation, among three GHG Protocol approaches: financial control, operational control, and equity share. The change risks creating substantial comparability issues across climate metrics, with potential implications such as competitive distortions and boundary manipulation.

Additionally, the European Commission's decision deviates from international momentum. While the GHG Protocol is undergoing a process to revise its corporate standards, its Technical Working Group proposed amendments to organisational boundaries for GHG emissions calculation. The recommendations clearly call for the elimination of the equity share approach, proposing the financial control as the primary basis for consolidating GHG emissions, with operational control as alternative option⁵.

E3G recommends that financial control should be reinstated as the mandatory baseline. Operational control should serve as a mandatory alternative, if reporting on the basis of financial control is insufficient.

⁵ Greenhouse Gas Protocol, Corporate Standard Revisions: Phase 1 Progress Update, December 2025

4. Reintroduce EU Taxonomy indicators across the ESRS standard

The EU Taxonomy is the cornerstone of the EU Sustainable Finance framework, contributing to mobilising capital towards sustainable activities. As extensively described by the EU Platform on Sustainable Finance⁶, the integration of Taxonomy indicators and references across the ESRS would benefit regulatory coherence, simplify reporting, and strengthen the decision-usefulness of disclosed sustainability information.

E3G considers relevant that ESRS climate transition plan disclosure integrate EU Taxonomy-related information, in particular regarding capital expenditure (CapEx) alignment, CapEx plans, and operating expenditure (OpEx) alignment. We consider such metrics fundamental for adequately estimating and incentivising transition finance, key component of companies' transition planning. An E3G-ITPN study of institutional investors found that they view financial information such as capital expenditure as critical for understanding whether investee transition plans are appropriately resourced and whether the plans will support long-term financial viability.⁷ Originally, the ESRS Set 1 included the integration of these metrics within the climate transition plan disclosures. However, in the latest simplification iterations, the connectivity between the two sustainable finance regulations was removed.

E3G suggests reinstating the original Taxonomy-related information within the ESRS E1-1 climate transition plan disclosures. Specifically, we would suggest adapting the original ESRS E1-1 datapoints to the simplified ESRS structure:

- *by reference to the climate change mitigation actions (as required by Disclosure Requirement E1-3), an explanation and quantification of the undertaking's investments and funding supporting the implementation of its transition plan, with a reference to the key performance indicators of taxonomy-aligned CapEx, and where relevant the CapEx plans, that the undertaking discloses in accordance with Commission Delegated Regulation (EU) 2021/2178.*
- *for undertakings with economic activities that are covered by delegated regulations on climate adaptation or mitigation under the Taxonomy Regulation, an explanation of any objective or plans (CapEX, CapEx plans, OpEX) that the undertaking has for aligning its economic activities (revenues, CapEx, OpEx) with the criteria established in Commission Delegated Regulation 2021/2139.*

⁶ EU Platform on Sustainable Finance, Platform Response to the European Commission Consultation on ESRS, March 2026

⁷ International Transition Plan Network, Enhancing long-term value and resilience, 2026