

From Brussels to Washington: The U.S.-EU Trade Deal's Evolving Influence on European Sustainability Legislation

25 August 2025

On August 21, 2025 the European Union and the United States issued a [Joint Statement](#) announcing a "Framework on an Agreement on Reciprocal, Fair and Balanced Trade." The Joint Statement builds on the [U.S.-EU trade deal](#) concluded between European Commission President Ursula von der Leyen and U. S. President Donald J. Trump on July 27. A key feature of the Joint Statement is the EU's commitment to review elements of its sustainability legislation that the United States has objected to—namely, the EU Deforestation Regulation (the "EUDR"), the Carbon Border Adjustment Mechanism (the "CBAM"), the Corporate Sustainability Due Diligence Directive (the "CSDDD"), and the Corporate Sustainability Reporting Directive (the "CSRD"). These measures are already being revised under the Commission's omnibus simplification package, which aim to reduce administrative burdens by at least 25% across all companies and by 35% for small- and medium-sized enterprises ("SMEs").

This client update outlines the relevant legislation, the simplification efforts currently underway, the commitments made in the Joint Statement, and the potential next steps.

EU Deforestation Regulation

EUDR in a Nutshell

The EUDR requires that the sale or export of certain commodities in the EU—such as soy, cattle, palm oil, wood, cocoa, coffee, rubber and related products (e.g., chocolate, leather, beef)—meet three conditions: (i) the commodities being sold or exported are "deforestation-free" (i.e., not produced on land deforested or degraded after December 2020), (ii) the sale or export complies with the laws of the country of the commodity's production and (iii) they are covered by a due diligence statement detailing the product's origin and demonstrating that the seller (or exporter) has conducted a risk assessment and implemented risk mitigation measures to ensure compliance.

Simplification Efforts

As part of its wider agenda to reduce administrative burdens, the Commission in April 2025 introduced certain [simplification](#) measures to facilitate compliance for companies in scope. These include classifying countries according to their level of risk, imposing lighter due diligence obligations and creating mechanisms for re-using or submitting due diligence statements in groups. Consultations on a [Delegated Act](#) aim to clarify and further narrow the scope of the EUDR. The draft introduces amendments to Annex I of the EUDR, excluding categories such as waste, second-hand goods, product samples and correspondence. Once adopted by the Commission, the European Parliament and Council will have up to four months to raise objections; if none are made, the Act will be published in the EU's Official Journal. In parallel, on July 22, 2025 the Commission launched a [call for evidence](#) on possible omnibus legislation to simplify environmental rules, including the EUDR. Subsequently, on August 12, 2025, it issued practical [guidance](#) on EUDR's implementation. While this guidance does not create new legal obligations, it helps stakeholders interpret and apply the EUDR by clarifying key provisions, assisting operators, traders, national authorities, and courts in implementation and enforcement, and improving understanding of timelines, due diligence, and traceability requirements.

EU's Commitment

Following the April 2025 simplifications, on May 20 the Commission classified the United States as a low-risk country. Building on this classification, the Joint Statement now recognizes that U. S. production of EUDR-covered commodities poses “negligible” deforestation risk and commits the EU to address unspecified concerns raised by U. S. producers and exporters regarding an “undue impact on U. S.-EU trade” by the EUDR. By recognizing a “negligible” deforestation risk for U. S. production of EUDR-covered commodities, the EU may establish a first *de facto* exemption under the EUDR framework which normally does not apply such risk classification to entire commodities or countries. This could pave the way for regulatory cooperation through implementation guidance while preserving the EUDR's core legal and due diligence requirements.

Implications

In March 2025, the Trump administration passed an executive order on the immediate expansion of American timber production for domestic use. While the United States has not yet formally detailed its position on international trade of timber in this context, the Commission has indicated—via its [Q&A press](#) release—that it will address the United States' concerns regarding EUDR compliance through a “platform” for discussion on implementation of the EUDR with the United States to ensure that the EUDR does not result in unnecessary barriers to transatlantic trade.

Carbon Border Adjustment Mechanism

CBAM in a Nutshell

The CBAM Regulation requires importers to buy certificates reflecting the carbon price that would have been paid if the goods were produced under the EU's carbon pricing rules. It mirrors the EU Emissions Trading System to ensure fair competition, while allowing deductions if a carbon price has already been paid in the exporting country. By doing so, the CBAM Regulation prevents “carbon leakage”—the relocation of production to countries with weaker climate policies—while encouraging cleaner industrial practices globally.

Simplification Efforts

On February 26, 2025, the Commission proposed the first set of CBAM simplifications under its omnibus package. The key change is a new *de minimis* exemption that relieves from CBAM obligations importers bringing in less than 50 tonnes of goods per year, replacing the current narrower exemption for goods of negligible value. This is expected to benefit most SMEs and small-scale importers. On June 18, 2025, the European Parliament and Council reached a political [agreement](#) which included this threshold and added further simplifications for larger importers, including with respect to streamlined authorization, data collection, emissions calculation and verification, liability assessment, and recognition of carbon prices paid abroad. This package still requires formal adoption before publication in the Official Journal and entry into force. In parallel, July 2, 2025, the Commission launched a consultation on a broader CBAM review, which closes on August 26, 2025, with a new legislative proposal expected in Q4 2025.

EU's Commitment

In the Joint Statement, the EU “takes note” of U. S. concerns regarding the treatment of SMEs and commits to providing “additional flexibilities” beyond the new exemption threshold. The Commission clarified that this does not mean changing CBAM or granting special treatment to U. S. companies. Rather, the aim is to extend flexibilities to all companies, with a focus on easing burdens for SMEs, consistent with the Commission's broader simplification agenda.

Implications

Neither the EU nor the United States has specified what form the “additional flexibilities” will take. However, given the ongoing consultation on the broader CBAM review, it is likely that any concerns raised in the transatlantic dialogue will be considered and could be reflected in the forthcoming legislative proposal.

Corporate Sustainability Reporting Directive & Corporate Sustainability Due Diligence Directive

CSRD and CSDDD in a Nutshell

The CSRD requires companies to disclose standardized information on their ESG impacts, risks and opportunities, with the aim of ensuring transparency and comparability in sustainability reporting. The CSDDD obliges companies to identify, prevent, mitigate and account for adverse human rights and environmental impacts across their operations and global value chains. Please see our client updates on [CSRD](#) and [CSDDD](#) for further detail.

Simplification Efforts

Revisions to both directives were introduced under the Commission's omnibus package in February 2025 and are currently progressing through the EU legislative process, which ultimately requires agreement among the Commission, Council and European Parliament. The Council adopted its position on June 23, 2025, and the European Parliament is expected to vote on its position in October 2025. Once all positions are adopted, trilogue negotiations will begin, with final adoption expected in the first half of 2026.

EU's Commitment

In the Joint Statement, the EU pledges to ensure that neither the CSRD nor the CSDDD creates "undue restrictions" on transatlantic trade. With respect to the CSRD, this commitment remains vague, and the Commission has not elaborated any details through its Q&A platform so far.

By contrast, the Joint Statement provides more details on possible simplifications of CSDDD. It highlights efforts "to reduce administrative burden on businesses, including small- and medium-sized enterprises, and to propose changes to the requirement for a harmonized civil liability regime for due diligence failures and to climate-transition-related obligations." The EU also commits to address U. S. concerns about the extraterritorial application of CSDDD to companies from non-EU jurisdictions with "high-quality" regulations. The Commission has clarified that the EU and the United States will exchange views on these points through a structured dialogue but stressed that this will not alter EU rules or create preferential treatment for U. S. companies. Rather, it is intended to align with the Commission's broader simplification agenda, currently under discussion in the European Parliament and Council. In addition, both parties committed to "work together to ensure strong protection of internationally recognized labor rights, including with regard to the elimination of forced labour in

supply chains”. Such collaboration may support and enhance the adverse human rights impact provisions in the current CSDDD draft.

Implications

U. S. stakeholders—including AmCham EU and several Republican lawmakers supporting *inter alia* the Protect USA bill, introduced in March 2025 to prevent U. S. companies from complying with any foreign sustainability due diligence regulations such as the CSDDD and to shield them from penalties for non-compliance—have argued that both directives impose excessive and extraterritorial obligations on American companies, describing them as “hostile” measures against U. S. sovereignty. The direct application of CSDDD to non-EU companies is one of the most controversial aspects of CSDDD. Yet neither the earlier omnibus proposals nor the Joint Statement put forward any express changes to that element, other than an indication of new rules that could allow non-EU jurisdictions with “high-quality” regulations to be deemed equivalent for purposes of the CSDDD’s requirements applicable to non-EU companies. Concerns persist that both directives may create conflicts with U. S. federal or state law, expose firms to heightened litigation risk, and impose reporting and compliance burdens disproportionate to their EU market exposure. Considering the current fairly advanced stage of the legislative process to amend CSRD and CSDDD, it remains unclear what, when and how any further amendments might ultimately be introduced.

Next Steps

The EU-U.S. Joint Statement is a political declaration without binding legal effect. Although the Commission’s commitments remain broad and somewhat vague, several U. S. concerns already overlap with the EU’s ongoing simplification agenda—for example, exempting listed SMEs from CSRD, introducing a *de minimis* threshold under CBAM, and revisiting CSDDD’s civil liability regime. At the same time, major friction points persist, including the obligation to purchase CBAM certificates, and the extraterritorial reach of both CSRD and CSDDD. The scope and pace of the Commission’s concessions nonetheless signal a clear willingness to accommodate U. S. concerns, in service of broader transatlantic trade-policy objectives.

The Commission has stressed that any follow-up with the United States will proceed strictly within established EU procedures, with legal amendments pursued in consultation with member states and the European Parliament to safeguard the integrity of EU law and institutional powers. It remains to be seen when these

commitments will be proposed in concrete form, and what impact they may have on the much-anticipated adoption of the omnibus package.

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