



Overview

In 2024, the European Union (EU) enacted the Corporate Sustainability Due Diligence Directive (CS3D) to establish mandatory human rights and environmental due diligence obligations for large companies operating in the EU. The directive marked an expansion of EU sustainability regulation, extending compliance requirements beyond European borders to multinational enterprises (MNEs) conducting substantial business in the EU.

In December 2025, following extensive debate about the regulatory burden, the risk of significant penalties, and potential constraints on global competitiveness, the EU adopted a package of “Omnibus” amendments that revised both the scope and requirements of CS3D. These amendments were intended to reduce compliance burdens, sharpen the focus on the largest companies, and limit downstream impacts on smaller firms, while preserving the directive’s core objectives of responsible business conduct. Despite these changes, many U.S. policymakers, companies, and other stakeholders are concerned by the extraterritorial nature of the regulation, which was not addressed in the revised text. This Basic, an update to a [previously published edition](#), will outline the latest “Omnibus” modifications, remaining challenges associated with the CS3D, and the U.S. legislative and regulatory implications.

December 2025 “Omnibus” Modifications

The “Omnibus” package narrows the CS3D to the very largest firms, those with more than 5,000 employees and over €1.5 billion in worldwide turnover (essentially revenue), while non-EU companies are captured at over €1.5 billion in EU turnover with no employee threshold. It also adds a franchising/licensing route when EU royalties exceed €75 million, and EU turnover exceeds €275 million. The mandate to adopt and implement a climate transition plan was removed, and the maximum administrative fine is capped at 3% of net worldwide turnover. Due diligence is clarified as a risk-based, two-step process with limits on information requests to smaller partners. The timeline shifts to transposition by July 26, 2028, and first application by July 26, 2029. Analysts estimate about a 70% reduction in entities within the scope of the agreement.

Remaining Challenges Associated with the CS3D

Despite some changes, the EU’s “Omnibus” failed to address one of the primary concerns associated with the CS3D: extraterritoriality. As a result, many stakeholders are increasingly calling for protective measures here in the U.S. to block EU enforcement authority. The EU’s revenue-based trigger preserves this extraterritorial reach, so large non-EU companies selling heavily into the EU market would still be required to comply, while national authorities in EU Member States continue to supervise compliance and impose penalties. The “Omnibus” removes EU-wide harmonization of civil liability, but litigation risk shifts to divergent national regimes, increasing fragmentation and opening the door to “forum shopping” rather than

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In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

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eliminating or limiting exposure. Meanwhile, the Corporate Sustainability Reporting Directive (CSRD) reporting regime would still apply to the largest firms, with a cap on value-chain data requests and anticipated simplification of the European Sustainability Reporting Standards (ESRS), so companies must continue to navigate overlapping reporting and due diligence requirements despite the “Omnibus” relief.

The “Omnibus” package trims scope and clarifies methods but ultimately does not provide relief from traditional EU regulatory overreach: any non-EU company meeting EU revenue thresholds remains within the CS3D’s grasp, keeping sovereignty and competitiveness concerns front and center for U.S. policymakers and companies across the global economy.

Significant complexity remains with the extraterritorial mandate still intact.

Reactions from Key Stakeholders

Numerous organizations and individuals representing American interests have contributed to the discussions around the CS3D. In October 2025, as the “Omnibus” was being negotiated, a coalition of organizations representing large and small American businesses, including the U.S. Chamber of Commerce, National Association of Manufacturers (NAM), American Council for Capital Formation, the Small Business and Entrepreneurship Council, and International Franchise Association, wrote to senior White House and administration officials stating that “[i]f [the CS3D] proceeds with extraterritorial subjugation intact, American businesses could be forced to respond to protect their interests. They would face difficult decisions about their EU investments and their exposure to the law’s mandated penalties for perceived non-compliance. Economic growth would slow, supply chains would suffer, and transatlantic commerce and relations would only worsen.”

These organizations concluded their letter by insisting that “[t]he U.S. should not permit the EU to export its own self-imposed regulatory burdens to help shore up its own competitiveness. We should be a model for other nations’ systems, not a target.”

Additional statements from those organizations and others followed. As a final vote on the “Omnibus” approached, NAM was pointed in its comments, underscoring the CS3D’s effects on both U.S. and European interests: “U.S. policymakers must continue to stand strong for American companies and maintain firm pressure on European officials as they pursue a costly regulation that would discourage trade and harm economic growth on both continents.”

Opposition has not been limited to U.S. interests. Gulf Cooperation Council (GCC) States, which include the United Arab Emirates, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Sultanate of Oman, the State of Qatar, and the State of Kuwait, noted December 5, 2025 that “despite the [“Omnibus”] simplifications proposed by the European Parliament, aimed at alleviating the burdens of certain provisions and removing others, these changes still fall short of the GCC States’ expectations and continue to constitute a source of harm and a potential source of wide-ranging risks to the interests of GCC companies operating in the European market. This is particularly concerning in light of the new regulatory environment the legislation would establish, which could negatively affect the competitiveness and continuity of those companies’ operations.”

Advocates for CS3D argue that the “Omnibus” strengthens risk governance. Companies can identify severe impacts early and allocate resources through a structured, risk-based due diligence process. The proposal for the “Omnibus” outlines several simplifications and flexibilities that may encourage broader voluntary sustainability and taxonomy reporting. Companies with strong sustainability profiles could benefit from this as a differentiator to attract investments into their businesses. Companies in transition can benefit from voluntary reporting to communicate their transition strategies without the pressure of mandatory disclosures and to attract investment.

U.S. Policy Implications and Opportunities

Even with recent modifications, the CS3D remains one of the most far-reaching laws affecting MNEs. U.S. firms believe their

ability to compete with European companies is at stake. American manufacturers risk losing their competitive advantages to European companies that manufacture the same goods, and U.S.-based companies would be forced to comply with the stringent EU requirements.

Congressional efforts were underway in 2025 to block the enforcement of the CS3D and similar extraterritorial legislation directed toward U.S. businesses. On March 12, 2025, Senator Bill Hagerty (R-TN) introduced the [Prevent Regulatory Overreach from Turning Essential Companies into Targets \(PROTECT USA\) Act of 2025](#), which “prohibits certain U.S. entities from being forced to comply with any foreign sustainability due diligence regulation, prohibits the taking of any adverse action against such an entity for action or inaction related to the regulation, and establishes a private right of action for such entities to bring civil actions when aggrieved.” U.S. Representative Scott Fitzgerald (R-WI) followed shortly after with [House companion legislation](#).

The concept of bipartisan legislation preventing EU extraterritorial regulatory reach into the U.S. economy is not novel. In 2012, President Barack Obama signed [legislation](#) to block the EU’s enforcement of its Emissions Trading Scheme targeted toward U.S. airlines. Then-Senator Claire McCaskill (D-MO), a co-sponsor of the bill introduced by Senator John Thune (R-SD), stated that “[i]t never made a bit of sense for European governments to tax our citizens for flying over our own airspace – and with the passage of this law we’ve got the tools we need to prevent it from happening and protect American jobs.” The Senate passed the bill by unanimous consent, and the House by a simple voice vote. A similar bipartisan approach could be made in 2026 as well.

The CS3D will also remain central to transatlantic discussions on regulatory alignment, trade policy, and economic growth. Prior to the “Omnibus” amendments, Qatar Energy Minister Saad Al-Kaabi and U.S. Secretary of Energy Chris Wright voiced concerns over the CS3D’s potential impact on providing reliable supplies of LNG to the EU, as well as the law’s ability “to disrupt trade and investments across nearly all the EU’s partner economies. Its implementation could jeopardize existing and future investments, employment, and compliance with recent trade agreements.” Leveraging trade negotiations to deter extraterritorial spillover remains a frequent method for protecting U.S. legislative and regulatory sovereignty.

Conclusion

While the EU’s “Omnibus” revisions temper some aspects of CS3D’s impact, they fail to address the private sector’s deep concerns about the EU’s extraterritorial reach into the U.S. economy and regulatory system. Large U.S. companies with substantial EU revenue will remain compelled to conform their global conduct to Brussels-set due diligence standards, exposing them to penalties and litigation. U.S. legislators and trade and foreign policy negotiators could continue to challenge extraterritoriality, ensure American legislative and regulatory sovereignty is preserved, and help U.S. companies remain competitive in global markets.

Links to Other Resources

- American Council for Capital Formation – [CSDDD Letter to Secretary Bessent, Secretary Lutnick, Secretary Wright, Ambassador Greer, and Director Hassett](#)
- American Council for Capital Formation – [Reuters: Qatar hopeful EU will resolve corporate concerns over sustainability laws by year-end](#)
- Department of Energy – [U.S. Energy Secretary and Qatari Energy Minister Send Letter to EU Regarding Proposed Corporate Climate Regulations](#)
- European Commission – [CSDDD Omnibus Proposal](#)
- Gulf Cooperation Council – [GCC States Warn of the Implications of the EU's Proposed Corporate Sustainability Due Diligence Legislation](#)
- Washington Times – [Keep EU climate regulation tentacles out of the U.S.](#)