June 22, 2026

The Honorable Brett Guthrie
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable James E. Risch
Chairman
Committee on Foreign Relations
U.S. Senate
Washington, D.C. 20510

The Honorable Frank Pallone
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jeanne Shaheen
Ranking Member
Committee on Foreign Relations
U.S. Senate
Washington, D.C. 20510

Dear Chairman Guthrie, Chairman Risch, Ranking Member Pallone, and Ranking Member Shaheen:

As policymakers debate how best to strengthen American competitiveness, energy security, and industrial resilience, an evolving issue that deserves immediate attention is the growing extraterritorial reach of foreign regulations into the operations of U.S. businesses, most notably the European Union's (EU) Corporate Sustainability Due Diligence Directive (CSDDD) law.

While often described as a European sustainability initiative, the CSDDD is, in practice, a sweeping extraterritorial regulatory framework that could impose significant operational, legal, and administrative burdens on American companies and their supply chains. Recent congressional hearings referenced concerns regarding the CSDDD's complex reporting and compliance requirements and their potential impact on U.S. competitiveness. The EU's reach via the CSDDD extends well beyond Europe and would affect U.S. manufacturers, fuel distributors, convenience retailers, franchise systems, financial institutions, transportation providers, agricultural suppliers, energy producers, and countless small and mid-sized businesses – simply because they work with companies tied to European markets or have European customers.

The EU is currently in the midst of the transposition phase of the CSDDD implementation process, during which member states will incorporate the law's requirements into their own national laws. U.S. businesses expected to comply with the CSDDD's extraterritorial requirements must begin planning today. Many businesses, particularly those in the supply chains, may not even be aware of the requirements they would face. Businesses throughout supply chains will face increased and impractical scrutiny of their business practices. The EU's regulatory requirements through the CSDDD would place heavy burdens on smaller American businesses that likely do not have the systems or resources in place to comply easily or affordably.

Absent a meaningful breakthrough during pending trade negotiations, large and small American businesses will be required to build expensive infrastructures to comply with a strict regulatory regime developed outside of the U.S. legislative process and enforced by foreign entities not entirely supportive of U.S. efforts to rebuild its domestic supply chain. Some businesses may simply not be positioned to compete in that kind of environment.

This concern is not theoretical. Recent analysis from Hudson Institute Senior Fellow Harold Furchtgott-Roth notes that American businesses and consumers could ultimately face higher prices resulting from the compliance burdens and operational inefficiencies associated with CSDDD requirements. These costs, estimated to reach between $600 billion and more than $1 trillion (not including billions in annual recurring costs), would ultimately ripple through supply chains and affect commercial and consumer markets across the U.S. economy.[1]

At a time when the United States is pursuing policies designed to enhance industrial competitiveness, strengthen domestic manufacturing, and lower inflationary pressures, the prospect of foreign regulatory mandates imposing additional costs and liabilities on U.S. businesses should be taken seriously and addressed immediately. For this reason, congressional attention to the CSDDD is warranted.

As former U.S. senator Jon Tester (D-MT) recently opined in *The Washington Post*, the CSDDD could have significant effects on small, local businesses and farmers:

> [T]he directive's mandate extends far down the supply chain, hurting small businesses in the U.S. E.U. buyers — the large companies covered by the regulation — are authorized to impose third-party audits, labor documentation requirements and environmental compliance checks on any business that sells to them. These are burdens that most small farmers and agricultural suppliers simply can't afford to take on.
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> While the directive does not directly shut farmers out of E.U. markets, these requirements could force producers to reevaluate where they export to. Farmers from Montana to Georgia would be forced to comply or risk losing export opportunities and key customers.
>
> The increased costs would be felt throughout the supply chain. Farm profits would be squeezed, grocery bills would increase, and rural communities would be hit first and hardest. When a small farm goes under, it doesn't just hurt one family; it hurts local businesses that buy from that farm and the equipment dealers that sell to it.[2]

During a June 2023 House Financial Services Committee hearing, then-Secretary of the Treasury Janet Yellen also expressed concern about the CSDDD, stating "[w]e're looking very carefully at

[1] Harold Furchtgott-Roth, "The EU's December 2025 Changes to CS3D: Quantifying Costs to US Industry," January 2026
[2] Jon Tester, "A European rule could devastate American farmers," *The Washington Post*, May 18. 2026

the EU's corporate sustainability directive and we're concerned about the impact it could have on US firms. We're consulting with the EU and making clear that we're concerned about the directive's extra-territorial scope."[3]

Last December, Senate Banking Committee Chairman Tim Scott (R-SC) commented that "Europe's latest sustainability mandates may be drafted in Brussels, but they land on Main Street in South Carolina and across America. … When the EU's ideologically driven regulatory experiments reach our supply chains and impose requirements on our businesses, that's a direct challenge to American workers and our sovereignty."[4]

The CSDDD has clearly drawn bipartisan concern.

We respectfully request that Congress convene hearings to discuss extraterritorial regulation of American businesses generally and the implications of the EU's CSDDD law for U.S. businesses and consumers, specifically. Congress should consider legislation to protect U.S. businesses and their supply chains to prevent foreign extraterritorial regulation while preserving the authority of the United States to establish its own legal and regulatory standards. The PROTECT USA Act of 2025, currently pending before your respective committees, is one such approach that has been proposed.

American businesses already continue to improve operational efficiency, environmental performance, workplace safety, and supply-chain oversight according to U.S. laws and regulations, market forces, investor expectations, and domestic policymaking – not through expansive foreign regulatory systems imposed on American enterprises. Of note, Item 12 of the August 2025 Joint Statement on a United States-European Union Framework on an Agreement on Reciprocal, Fair, and Balanced Trade specifically calls out the CSDDD: "The European Union *commits to work to address U.S. concerns regarding the imposition of CSDDD requirements on companies of non-EU countries with relevant high-quality regulations*." (emphasis added) The EU has not addressed this issue.

Protecting U.S. supply chains, supporting small and mid-sized businesses, preserving competitiveness, and preventing unnecessary inflationary pressures are clearly bipartisan objectives. The legislative and executive branches have important roles in establishing a balanced framework that protects American economic interests while supporting constructive international trade and commercial relationships. Accordingly, we respectfully urge Congress to recognize our immediate, collective concerns with the CSDDD, the urgency in preserving our competitiveness, and the need to protect American businesses from the reach of the EU's CSDDD framework.

[3] Viktoria Dendrinou, "Yellen Says US Is Concerned About EU's ESG Supply Chain Rules," Bloomberg, June 13, 2023
[4] "EXCLUSIVE: Senate Banking Chairman Tim Scott rebukes the EU's sustainability mandates," *The Washington Reporter*, December 11, 2025

We welcome continued discussion and stand ready to assist in the evaluation of the CSDDD's far-reaching effects and legislation to prevent its intrusion into the U.S. economy and regulatory system.

Sincerely,

American Council for Capital Formation
U.S. Chamber of Commerce
National Association of Manufacturers
International Franchise Association
Small Business & Entrepreneurship Council
Society of Independent Gasoline Marketers of America

cc: The Honorable Jamieson Greer, U.S. Trade Representative
The Honorable Scott Fitzgerald, U.S. House of Representatives
The Honorable Bill Hagerty, U.S. Senate