

SPEECH

***** CHECK AGAINST DELIVERY *****

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EUROPEAN BUSINESS SUMMIT, 21- 22 FEBRUARY 2008 GREENING THE ECONOMY: NEW ENERGY FOR BUSINESS

SPEAKING NOTES

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- The European Business Summit is an important event gathering 2000 business people and EU decision-makers to discuss one of Europe's hot topics: how to address the climate change and energy-efficiency challenge and remain competitive at the same time.
- I will provide our views on this – how business can be part of the solution and what we expect from policy-makers – but also wish to take the opportunity to frame the debate more widely as the President of the Commission José Manuel Barroso is here with us.
- BUSINESSEUROPE turns 50 this year, and the renewal of EU institutions is coming up next year: additional reasons to draw up a short inventory on this occasion, and more importantly look ahead! Where do we stand today and where does Europe need to go?
- With the challenges ahead, we need an even stronger and more integrated EU, we need the EU to support European companies.

A quick stock-taking: the strengths on which we can build

- EU model of regional integration, characterised by wealth created by European companies, high-level social protection systems, political stability and strong democratic institutions
- What is more, a prosperous economy and world trade power:
 - wealth per capita of EU citizens has doubled since 1970
 - unprecedented technological revolution
 - European companies have created 20 million jobs over the last decade
 - the EU is the number one economy in the world and a world trade power
 - European companies are number one exporters

- Internal market comprising 30 countries and 500 million citizens – a great achievement that enables companies to grow and brings many benefits to consumers: cross-border investment flows per annum at 430 billion euros and 70% of exports are exports within the EU
- The euro has promoted cross-border activity and economic stability.
- European companies spearhead the development of new products, technologies and processes and Europe has well-educated and skilled people although we now face increasing skills shortages and gaps.
- European companies have since 2005 alone created nine millions jobs and considerable wealth; they have innovated and created new products and services. They are an integral part of society, interfacing with a variety of players and therefore in constant dialogue with stakeholders. More specifically, social dialogue at different levels has contributed greatly to shaping the work environment.
- We can thus dress a generally positive inventory with regard to European achievements, but we must also look at the challenges ahead and ensure that the right political choices are made that will allow European companies to grow and compete successfully.
- Challenges facing Europe and European companies are manifold, to name just a few: global competition, a more uncertain global economic environment, energy- and eco-efficiency, rising raw material and energy prices, need for higher productivity, research and innovation performance, managing demographic pressures, labour market reforms and developing the right skills.

Our motto for the future is: Successful companies for a successful Europe

Let us work together to achieve this and set the “winning priorities”.

First, it is crucial to continue implementing the reforms for growth and jobs energetically, in particular at Member-State level. The strategy has been reinvigorated by the current Commission – I thank President Barroso for his personal commitment to make progress on the route of necessary reforms. These reforms are the precondition to set an enormous untapped growth potential free in Europe.

But we have the feeling that the Commission is focusing less on its economic compass. We have a number of legislative proposals on the table, in the areas of environment, energy, consumer protection and labour law, with potentially wide-reaching impacts on the competitiveness of European companies. Let us make sure that Europe stays on the path of fostering growth, job creation and competitiveness.

Secondly, the single market must be completed and legislation better enforced. For the time being, remaining barriers in the single market are estimated to represent an unrealised economic potential of 275 to 350 billion euros. The Commission's review package provides a good basis for further action.

Caution is needed regarding some proposals. Consumer protection is important and European consumers are well protected. For us there is no reason to promote collective judicial litigation at EU level. Instead, a focus should be put on improving and reinforcing existing mechanisms, particularly non-judicial avenues.

If the Commission and Member States seriously drive the better regulation and simplification agenda forward, we could free additional economic potential amounting to 1.5% of EU GDP (or about 150 billion euros). We consider however that progress is much too slow and results still need to be felt on the ground. For the time being, entrepreneurs increasingly have the impression that administrative and regulatory burdens are still growing and not the contrary.

Thirdly, in the light of demographic pressures, social systems and labour markets must be reformed. It is important to focus on flexicurity – the European social partners have made an important contribution and presented results and recommendations to the Tripartite Social Summit in October 2007 and the European Council in December 2007. I would like to thank President Barroso for the support given to our work and invite him to further promote our joint analysis.

The main goals must be to increase employment and labour productivity growth through more flexible labour law, active labour market policies, development of an even more skilled workforce and lifelong learning, employment-friendly social protection systems, mobility, economic immigration, and social dialogue.

Outcome of discussions on working time and temporary agency directives must be in line with these objectives:

- on-call time should not be considered as working time and the individual opt-out must be kept
- period for application of the comparable worker concept must be carefully chosen and the comparison should be possible with either a worker in the user company or a worker of the same agency - but more generally one can question whether this is really an area for the EU to regulate.

Moreover, we see no need at all to revise the European Works Council directive. EWCs are complex entities. New legislation will not help their functioning. However, it might be worth assessing how to improve the EWC functioning in practice, based on companies' experiences.

Fourthly, the test of globalisation must also be addressed by fighting protectionism and further opening of markets. The EU must deliver an ambitious programme, through the WTO Doha Round, further bilateral and regional free-trade agreements and bilateral dialogues with the US, Russia, China and Japan.

Fifthly, sound political and economic governance must be the frame in which the reforms and policies outlined above will be developed. In this context, we are happy to note that Europe is on the way to a new Treaty whose ratification will ensure that the EU of 27 remains operational.

Last but certainly not least, a few words on the theme of the day: addressing the climate change and energy-efficiency challenges and promoting a secure, competitive and climate-friendly energy system.

One of the most important policy issues for European industry is the revision of the Emission Trading Scheme (ETS). We have supported the Emission Trading Scheme in the past as a potentially effective market-based instrument.

But we are worried about a number of elements in the revision of the ETS which the European Commission proposed last month. While the new legislation recognises the competitiveness impacts of emission trading for European energy-intensive companies exposed to international competition, there is a massive lack of certainty and predictability regarding the nature, scale and duration of mitigation measures.

European industry needs clarification as soon as possible, which sectors will be exempted from having to bid at auction for emission rights and for how long. This is key for future investment decisions of European companies.

It is also important to be aware of the following: in the absence of an international agreement, auctioning of emission allowances will be fatal for many energy-intensive industries, and trigger negative consequences in connected industries.

There will be only one way to meet the climate change challenge successfully, from an environmental as well as an economic point of view: by finding a global agreement which also includes all major emerging economies.

In order to evolve towards a low-carbon energy system, massive investments are necessary in the energy sector, in the transport sector, in the residential sector and in the search for new industrial production technologies. This volume of investment can only be envisaged if the European economy maintains a vibrant capacity to create wealth as well as a strong and competitive industrial base.

To meet this investment and competitiveness challenge, what we need to do first is complete the single energy market.

It is not only the energy market which needs greater dynamism, but also the market for energy-efficient products and systems. A huge potential exists here to reduce emissions. The upcoming action plan on sustainable industrial consumption and sustainable industrial policy by the European Commission can help achieve our energy and climate goals by 2020, but must distribute the burdens judiciously, foster innovation and help maintain competitiveness. We support, for example, a more effective and more dynamic energy labelling and standardisation policy of products like

refrigerators or light bulbs as long as this can promote rather than stifle innovation in better, cleaner and more efficient technologies.

With regard to the energy supply side, renewable energies will surely play a growing role in the future energy mix.

We urgently need to debate the approaches that have to be devised to reduce the very high costs linked to the development of twenty-seven national policies for promotion of renewable energies in Europe. The result will be very significant upward pressure on the price of electricity. Measures will have to be put in place to reduce the negative impacts on electro-intensive industries.

At this moment, nuclear energy is the only carbon-free energy technology which is available at a competitive cost, deployable on a large scale and which does not pose a problem in terms of supply security. Nuclear energy must be seen again as one part of the solution.

We expect that the right decisions are made to promote a secure, competitive and climate-friendly energy system and will continue to take an active part in the debate.

Europe will not be successful without successful companies, and companies need a successful Europe. Our policy priorities provide the foundations for a successful European economy, future growth, job creation and prosperity for all.

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