BUSINESSEUROPE

THE PRESIDENT

Mr Fredrik Reinfeldt
President of the European Council
Prime Minister of Sweden
Prime Minister's Office
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23 October 2009

BUSINESSEUROPE's message to the European Council on 29-30 October 2009

Dear President,

On 29 and 30 October 2009, you will chair a decisive meeting of the European Council. The purpose of this letter is to draw your attention to the expectations of European companies on three essential points on your agenda.

1. Institutional issues

With the positive outcome of the Irish referendum on 2 October 2009 and the Polish signature on 10 October 2009, entry into force of the Lisbon Treaty is close to realisation. In today's economic and social difficult circumstances, it is all the more important to conclude the ratification process swiftly. Being lenient to new demands which prevent the next Commission from working efficiently under the new Treaty rules would be unacceptable.

2. Economic situation

The recession is drawing to a close and financial markets are stabilising. However, difficult challenges need to be addressed in order to put Europe back on a sustainable growth path. By end of 2010, total investment in the EU is expected to have declined by around 15% from its level in 2008, unemployment will have increased to 11% of the EU's working-age population and public indebtedness will have reached close to 80% of the EU's GDP. Without an unwavering commitment from the European Council to reforms, we will not be able to unwind these long-lasting effects and witness the increase in private investment necessary to secure a lasting recovery.

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Access to finance for companies remains BUSINESSEUROPE's number one concern. Job creation will not return without well-functioning capital markets. European decision-makers should look further at ways of making risk capital available. European companies fully understand the need for comprehensive financial market reforms to correct the excesses of the past. However, this must be done without stifling the supply of credit. New capital rules for banks are the core of EU and G20 reform efforts. A thorough impact assessment on companies' access to finance, with a special focus on SMEs, is needed. This impact assessment must look at the interactions between the various individual proposals put on the table and consider their cumulative effects.

BUSINESSEUROPE broadly endorses the Commission's draft legislations for a better coordinated financial supervision system in the European Union. It hopes to see swift progress towards their adoption under the co-decision procedure. However, effective cross-border supervision also requires further reflection on burden-sharing and bank resolution systems in the European and global context.

Timely and coordinated withdrawal of state interventions in the financial sector must be organised in advance. The European Council should invite the Commission to work further on the definition of criteria for such withdrawal, taking into account international initiatives decided in the G20.

3. EU position for the Copenhagen Climate Conference in December 2009

The European Council will have to agree the EU mandate for the negotiations in Copenhagen. For European companies, a global agreement on climate change will only be considered as successful if it:

- establishes a shared vision for long-term global action to combat climate change,
- commits all developed countries to equally strong emission reduction targets,
- creates a level playing field worldwide for internationally traded goods,
- fixes binding emission targets or policies from developing countries by 2020,
- institutes a strong universal regime for monitoring, reporting and verification,
- protects intellectual property rights from compulsory licensing,
- enables and support the development of global sector approaches,
- ensures equal recognition of adaptation and mitigation activities,
- creates predictable, long-term and transparent financing mechanisms including a reformed and reinforced Clean Development Mechanism.

European companies are committed to doing their share in the fight against climate change. According to the International Energy Agency, most technological options to reduce industrial CO_2 emissions will cost between € 34 and € 68 per tonne of CO_2, with some options rising as high as € 135. This underlines the magnitude of the challenge that industry faces.

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If the Copenhagen Conference fails to deliver a balanced agreement, energy-intensive industries and many related sectors will increasingly suffer due to the current EU unilateral 20% carbon reduction requirement. The EU and national governments will need to take appropriate measures to remedy the competitiveness disadvantage. In the context of the EU Emission Trading Scheme, BUSINESSEUROPE asks that the 100% free allocation for sectors at risk of carbon leakage remains in place as long as there is no equivalent burden on industry worldwide.

I wish you a very fruitful and successful European Council meeting and hope that you will take the concerns of the European business community into account in your discussions.

Yours sincerely,

Jürgen Thumann

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