BUSINESSEUROPE

A CALL FOR ACTION TO BOOST COMPETITIVENESS AND CREATE REGULATORY BREATHING SPACE

WWW.BUSINESSEUROPE.EU

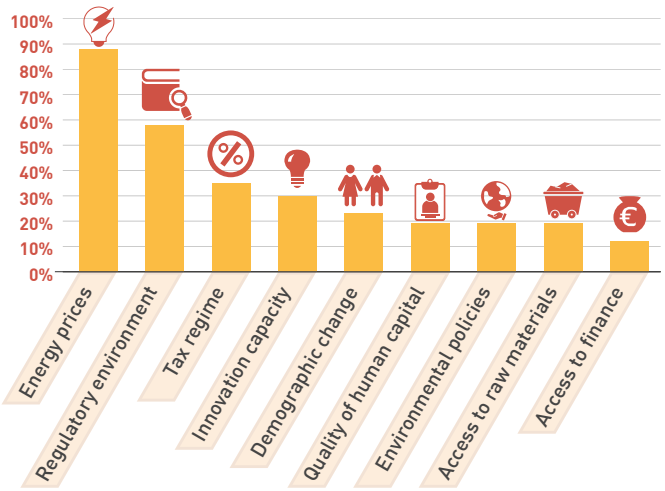
MARCH 2023

A CALL FOR ACTION TO BOOST COMPETITIVENESS AND CREATE REGULATORY BREATHING SPACE

European business urgently calls for decisive action to make Europe the place for investments and doing business again. Better regulation, reduction of burdens on businesses and adequate assessment of policy impacts on international competitiveness must become imperative. Retaining the competitiveness of both SMEs and larger enterprises should be a key consideration and followed by tangible and impactful action.

Companies are the engines of our society, creating employment, innovation, growth, and solutions for common challenges like the green and digital transition. Europe's leadership and global competitiveness depends on successful and strong companies.

Main challenges threatening the attractiveness of the EU as an investment location vis-a-vis competitors

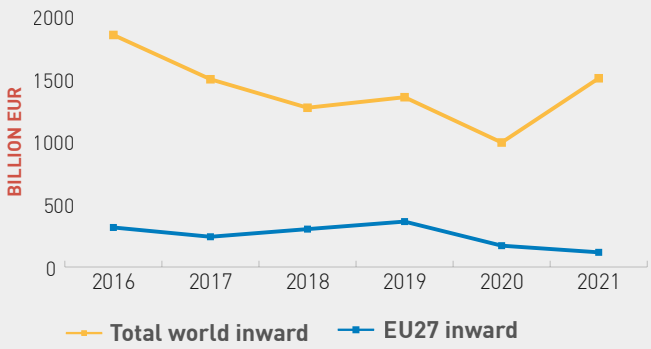


Source: BusinessEurope survey 2023

High energy costs, taxes, skills and labour shortages, and an excess of regulations, especially due to new cumulative environmental, social and governance (ESG) regulations and reporting requirements, are putting companies under severe pressure.

These structural issues create a competitive disadvantage for companies in Europe and hinder investment, employment and growth.

Foreign direct investment

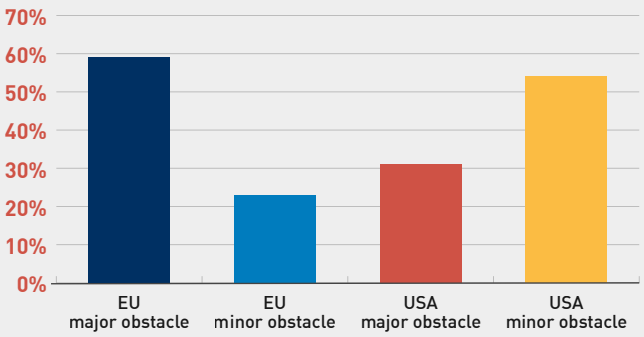


Source: EC-FDI screening

Aggressive support schemes in third countries with strong local content requirements and discriminatory provisions favouring domestic production, like the U.S. Inflation Reduction Act (IRA), increase the pressure.

The risk of de-industrialisation in Europe is real. Many companies are partially or totally relocating their production outside Europe. However, the gravity of the situation is not yet fully acknowledged by policy-makers across the continent.

Share of firms (in %) citing energy as long-term barrier to investment



Source: EIB Investement Survey 2021

A "business as usual" EU agenda is not an option anymore. A radical change of course is needed to keep economic output, innovation and investment within Europe. Policy-makers should not be misled by falling energy prices and declining inflation, both of which are still high in comparison with our competitors. Europe's position as an attractive and competitive place for investment and doing business is under threat, putting at risk our industrial base with severe negative effects on the European economy and households.

We call on policy-makers on European, national and regional levels to take urgent action in 2023 to **provide regulatory breathing space for business and boost competitiveness.**

For 2023 alone the Commission planned to table **43 new policy initiatives** on top of already **116 pending proposals**, many of them with significant impact on companies and an increasing number without a proper impact assessment.

11 ACTIONS TO BOOST COMPETITIVENESS AND CREATE REGULATORY BREATHING SPACE

CHECK IMPACT ON COMPETITIVENESS AND REDUCE CUMULATIVE COMPLIANCE COSTS

Securing and improving the EU's competitiveness requires a holistic approach, considering the impact of regulation and red tape on companies at all stages of legislation. The EU institutions must assess consequences of programmes and proposals, as well as of amendments introduced during the legislative procedure.

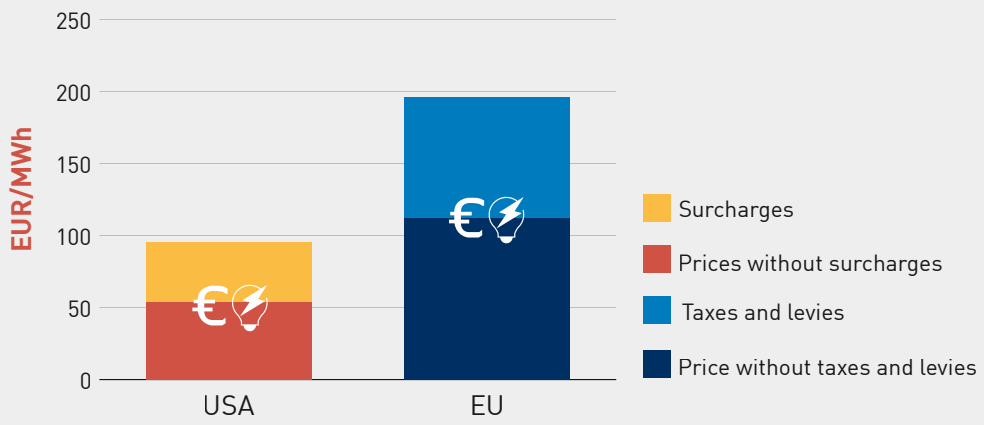
- ✔ Conduct proper impact assessments without exceptions, with mandatory competitiveness check and burden reduction measures
- ✔ Establish a competitiveness check to assess cumulative impacts of any kind of EU policy and law-making processes

REDUCE ENERGY PRICES SIGNIFICANTLY

Energy prices are considerably higher in Europe compared to other regions in the world. On top of higher sourcing prices, taxes and levies make up for a significant share of the energy and electricity bills.

- ✔ REDUCE LEVIES AND TAXES ON ENERGY AND KEEP THEM LOW

Comparison of electricity prices for SMEs/commercial users EU/USA, 2021



Source: Eurostat, US EIA, BusinessEurope in-house calculation

REDUCE CUMULATIVE REPORTING OBLIGATIONS AND PREVENT OVERLAPS

Companies have to deal with the introduction of an unprecedented number of environmental, social and governance (ESG) and tax-related reporting obligations at EU level. These aim to ensure a high level of transparency, but also constitute enormous administrative burden and compliance costs for companies.

- ✔ REVIEW AND LIMIT TAX-RELATED REPORTING OBLIGATIONS
- ✔ REDUCE OVERLAPS IN ESG REPORTING OBLIGATIONS

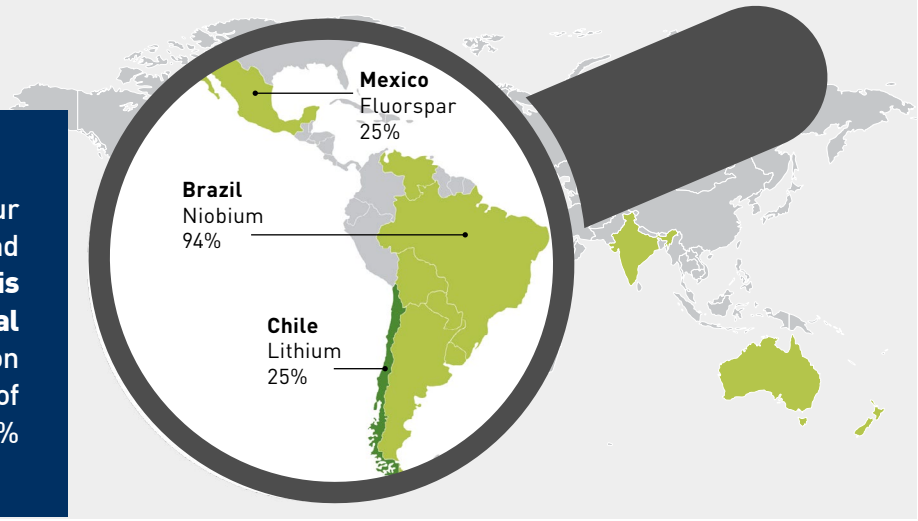
Example: Just to deal with ESG reporting one of the big four accounting firms in the world announced the need for **additional 100,000 accountants** or an increase by more than a third of its headcount until 2026.

BOOST TRADE OPPORTUNITIES THROUGH TRADE AGREEMENTS

Trade agreements bring new export opportunities and access to raw materials which will be key to deliver on the green and digital transition.

- ✔ CONCLUDE AND RATIFY TRADE AGREEMENTS WITH AUSTRALIA, INDIA, CHILE, MEXICO, NEW ZEALAND, MERCOSUR

New trade agreements to ratify or conclude (including share of primary production on raw materials)



Example for benefit:
In a conservative scenario Mercosur would allow EU exports to expand by €10.9 billion by 2032 – **Chile is essential as a source of critical minerals** for twin transition representing more than 25% of lithium extraction and around 28% for copper.

AVOID DISRUPTIONS IN ESSENTIAL SUPPLY AND DISTRIBUTION CHAINS

Example: The Packaging and Packaging Waste Regulation risks not only increasing packaging costs but also distorting supply chains of many European industries (e.g. material suppliers, industrial users like food, beverages, dairy, pharma, logistics, recyclers, etc). Unfortunately, unintended consequences like the impact of the proposal on the resilience of essential supply chains have not been properly assessed.

- ✔ CONDUCT A COMPREHENSIVE IMPACT ASSESSMENT ON THE PACKAGING AND PACKAGING WASTE REGULATION INCLUDING THE EFFECT ON BUSINESS-TO-BUSINESS OPERATIONS

⚠ The **additional costs** of bans and reuse measures risk being much larger than expected; administrative burden for labelling and costs of third-party certifications for recyclability alone are estimated to be **more than €3.7 billion** within the first 4 years, according to the Commission.

SPEED UP AND SIMPLIFY PERMITTING AND FUNDING PROCEDURES

Permitting procedures and access to finance are key bottlenecks for projects and investments needed for a successful green and digital transformation. This does not only apply to renewables or clean tech, but is key for many other industrial areas where investments are needed (e.g. new production facilities, mining, defence, new infrastructure like grids, pipelines, transport networks, interconnectors, etc.).

- ✔ SHORTEN PERMITTING PROCESSES NOT ONLY FOR CLEAN TECH
- ✔ FACILITATE PARTICIPATION OF COMPANIES AND MEMBER STATES IN IMPORTANT PROJECTS OF COMMON EUROPEAN INTEREST AND OTHER FUNDING FRAMEWORKS

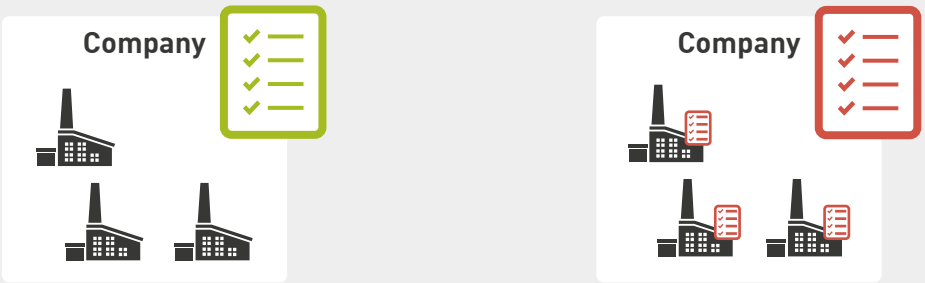
New electricity infrastructure projects passing the hurdle of authorisation procedures required by law can easily take 5 to 10 years.

REFRAIN FROM MICRO-MANAGING INDUSTRIES

EU legislation on sustainability is not only regulating industries at company level, but more and more duplicating requirements at the level of individual industrial sites. Micro-managing industry will unnecessarily add complexity and compliance costs. Proposals for Transformation Plans, chemicals or environmental due diligence in the Industrial Emissions Directive (IED) illustrate this trend well.

- ✔ REMOVE NEW REQUIREMENTS FOR INDUSTRIAL SITES FROM THE INDUSTRIAL EMISSIONS DIRECTIVE WHEN THEY ALREADY EXIST AT COMPANY LEVEL

Example: duplication of transformation plans



✔ 1 company = 1 transformation plan

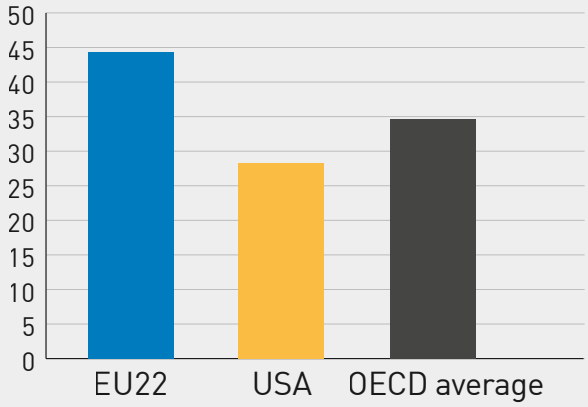
⚠ 1 company = 4 transformation plans

REDUCE NON-WAGE LABOUR COSTS AND ADMINISTRATIVE BURDEN

Already under normal circumstances European companies are put at a competitive disadvantage to other advanced economies when it comes to non-wage labour costs. Reducing labour taxes, social contributions and administrative costs would be a way to relieve companies, incentivise job creation and counteract the effects of a wage-price spiral.

- REDUCE EMPLOYERS NON-WAGE LABOUR COSTS, E.G. VIA AN EU INITIATIVE IN THE FRAMEWORK OF THE EUROPEAN SEMESTER TARGETED TO MEMBER STATES
- EASE ADMINISTRATIVE BARRIERS TO BUSINESS TRIPS AND POSTING OF WORKERS

Comparison of electricity prices for SMEs/commercial users EU/USA, 2021



Source: OECD

FIX FRAMEWORKS THAT MAKE COMPANIES, IN PARTICULAR SMES, LIABLE FOR IMPACTS OUT OF THEIR CONTROL

Example: The Corporate Sustainability Due Diligence Directive introduces an EU mandatory framework on due diligence across companies' whole value chains. Whilst the objective is widely shared, if not well designed it would put a massive administrative burden on EU companies and make them liable for impacts in value chains completely out of their control.

- SUBSTANTIALLY OVERHAUL THE CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE TO CREATE A HARMONISED AND WORKABLE FRAMEWORK

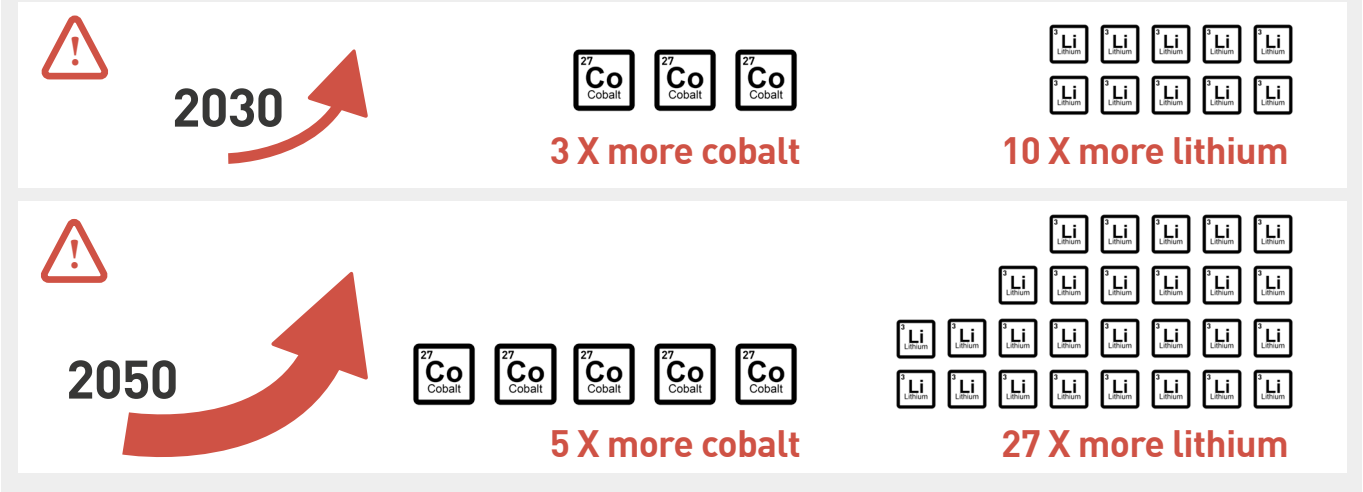
Conservative estimations show that the administrative requirements including mapping/auditing whole value chains could cost preparers **€1.2 billion** in one-off costs and **€3.6 billion** in annual reoccurring costs.

STRENGTHEN SUPPLY OF AND ACCESS TO CRITICAL RAW MATERIALS

Digitisation, green technologies and many key European industries cannot function over the long term without a secure, competitive and environmentally sound supply of raw materials. Therefore, efficient resource use, domestic extraction of raw materials, diversified sourcing from outside the EU is key.

- ✔ ADOPT SWIFTLY A CRITICAL RAW MATERIALS ACT THAT EFFECTIVELY SECURES SUPPLY
- ✔ KEEP THE ECO-DESIGN FOR SUSTAINABLE PRODUCTS REGULATION FOCUSED ON CIRCULARITY

EU need of raw materials for batteries for electric vehicles and energy storage to reach EU climate goals



TAKE SUFFICIENT TIME TO DESIGN DIGITAL AND AI REGULATION

Establishing new rules for "trustworthy" AI based on product safety regulation or completely new standards for data-sharing obligations, risks hampering digital innovation and creating massive red tape and/or legal overlaps. This could have unforeseen consequences for companies and lead to severe compliance costs, in particular for SMEs.

- ✔ POSTPONE DATA ACT AND TAKE APPROPRIATE TIME TO WORK OUT TECHNICAL AND LEGAL DETAILS FOR THE AI ACT

Example:

The Data Act will impact approximately **300,000 medium-sized and large companies in Europe,** who will have to redesign their products.

Projection to the population shows that compliance with the proposed AI Act may cost the EU economy **€131-345 million in 2023**. Setting up Quality Management Systems could have upfront cost of up to €330,000 per firm.

BUSINESSEUROPE

BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.

Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic
Denmark	Denmark	Estonia	Finland	France	Germany
Germany	Greece	Hungary	Iceland	Iceland	Ireland
Italy	Latvia	Lithuania	Luxembourg	Malta	Montenegro
Norway	Poland	Portugal	Rep. of San Marino	Romania	Serbia
Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Switzerland
The Netherlands	Turkey	Turkey	United Kingdom		

Avenue de Cortenbergh 168
B - 1000 Brussels, Belgium
Tel: +32(0)22376511 / Fax: +32(0)22311445
E-mail: main@businesseurope.eu

WWW.BUSINESSEUROPE.EU

EU Transparency Register 3978240953-79