BUSINESSEUROPE

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BusinessEurope’s message to the Spring European Council on 23-24 March 2023

Putting in place an ambitious and effective long-term EU competitiveness strategy

1. Addressing all the factors pushing investment away from the EU

The EU’s global strength, its ability to stand up for its freedom values and to deliver on the green and digital transition, requires a strong and competitive economy. Already before the series of crises of the last two years, European enterprises were fighting hard to preserve their competitiveness. Having done their utmost during the Covid pandemic they are now faced with the headwinds of the asymmetric shock of the consequences of the war in Ukraine. Moreover, incentives and subsidies by some of Europe’s key trading partners are redirecting private investment away from Europe. European leaders urgently need to improve investment framework conditions in the European Union to strengthen the competitiveness of European companies.

BusinessEurope’s Reform Barometer 2023 shows that 90% of our members consider that, compared to our global competitors, the EU investment environment is less favourable than 3 years ago. European companies underline two long-term challenges pushing investment away from the EU:

- Almost half of our member federations report deep concerns about the fact that the regulatory burden is significantly higher for companies operating in Europe rather than in other developed regions;
- EU companies are facing the prospect of long-term energy price rises well above major competitors. Wholesale gas prices for summer 2025 are trading at over 4 times their pre-covid level in the EU vs less than twice pre-covid levels in the US.

The answer to Europe's competitiveness challenge cannot be to engage in a subsidy race. The European Union needs to give a comprehensive response to initiatives such as the US Inflation Reduction Act. It must address the pressing need to provide regulatory breathing space to businesses and support the transition to a green economy through targeted EU programmes and a more flexible and simpler state-aid framework, as well as the long-term challenges such as high taxes, underdeveloped capital markets, and a lack of investment in R&D.

We count on the European Council, the European Commission, and the European Parliament to put in place an ambitious EU long-term competitiveness strategy and to work hand-in-hand to make Europe “the place to be” for investment.

2. Creating regulatory breathing space and improving the quality of EU legislation

We see a debate on energy prices. We see a debate on speeding up permitting procedures. We see a debate on public financing and state aid rules. However, what is still missing is a real acknowledgement of the need to ease the overall regulatory burden in Europe. This regulatory burden keeps mounting in the European Union. Moreover, the quality of application of EU better regulation tools has declined in recent years.

We count on the European Commission to:

- live up to its commitment to carry out top quality competitiveness checks on all EU regulatory and policy initiatives, taking into account the cumulative impact of EU legislation,

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- swiftly implement its pledge to reduce reporting requirements for companies by 25% to bring tangible relief to companies,
- propose a fully-fledged programme to simplify the regulatory framework in the EU single market and advance its integration on the occasion of its 30th anniversary.

We urge the European Council and the European Parliament to join forces with the Commission to deliver an overall reduction of regulatory burden in Europe by:

- agreeing on a thorough inventory of actions to be taken to create regulatory breathing space for European companies and restore the level-playing field with key global partners,
- putting an end to the multiplication of burdensome reporting requirements (such as the multiple transition plans for climate or environmental mitigation required from European enterprises in the corporate sustainability reporting directive, the industrial emissions directive, and EU Emissions Trading System Directive),
- avoiding amendments that undermine European companies' competitiveness or would create fragmentation in the single market in existing Commission proposals (for example in the sustainability due diligence directive), and
- refraining from requiring new EU legislation that would harm our competitiveness or unnecessary revisions of existing EU legislation (such as a revision of the European Works Councils directive).

3. Delivering secure energy supply at competitive prices

Secure access to energy at competitive prices is essential for Europe's competitiveness. Energy markets were already under pressure before the invasion of Ukraine by Russia and we saw energy prices skyrocketing during 2022, with wholesale gas prices increasing in the EU by over 1100% between 2019 and their peak in 2022, compared to increases of around 200% in the US and 100% in Japan during the same period.

To reach the ambitious European climate targets and at the same time guarantee security of supply, the EU should ensure a future-proof electricity market with clear long-term signals for investments. Offering more hedging opportunities for consumers through long-term contracting is a low-hanging fruit for this reform to reduce the influence of gas price swings on consumers prices. Moreover, the current energy crisis has brought to the light the often-overlooked security of supply. Whilst we should continue to rely primarily on a market-based approach, capacity mechanisms should be assessed to ensure adequate investments in backup power capacities.

We count on the European Council, the European Commission, and the European Parliament to deliver an electricity market design reform that supports competitiveness and is based on 5 key principles:

- strengthening security of supply,
- completing market integration through cross border trade,
- limiting the impact of high gas prices on electricity prices for consumers,
- incentivising investment in flexible sources,
- empowering consumers.

4. Putting in place a broad industrial strategy flanking the Green Deal

Net-zero is a very profound, long-term transformation for European industry. It offers strong business opportunities as well as serious risks of de-industrialisation if we don't get it right. The Green Deal Industrial plan can be a first step to alleviate these risks. However, a much broader industrial strategy is required. All industrial sectors need to be part of the transformation if Europe is to achieve its goals of climate neutrality, a more digital future and increased open strategic autonomy.

We urge the European Council, the European Commission, and the European Parliament to:

- go beyond simplifying or fast-tracking permitting for a limited range of green tech sectors targeted by the proposed Net-Zero Industrial Act and extend the goal of scaling up manufacturing capacity in Europe more widely by creating an enabling environment with less regulatory burden, simpler and faster procedures for the whole industry,
- boost trade opportunities through concluding and ratifying trade agreements, in particular with Australia, India, Chile, Mexico, New Zealand, and Mercosur,
- strengthen the supply of and access to critical raw materials through a well-designed Critical Raw Materials Act,
- work with the social partners to address the skills gaps and recruitment problems stemming from the combined effects of an ageing population, high number of economically inactive adults in the labour market, as well as mismatches between the skills acquired via education and training systems and companies' needs, paying special attention to the skills required for the green and digital transformation.

5. Putting in place well calibrated state aid rules

Europe's competitiveness cannot be built on subsidies, but targeted state aid can be justified, in particular, to accompany energy-intensive companies in their transition, help building the necessary infrastructure, support innovation and scale up new technology. The Temporary Crisis and Transition Framework can be a short-term measure to accompany industry in these unprecedented times. However, like all EU state aid instruments, it needs to be well calibrated to preserve the level playing field in the single market. Furthermore, to avoid a global subsidy race, monitoring, exchanging information and coordinating with key partners such as the US should be stepped up and, ideally, lead to modern and effective disciplines on industrial subsidies to maintain a global level playing field.

These temporary changes in the State aid framework should be evidence backed, allow for EU funds such as the Recovery and Resilience Facility and structural funds to be used to support companies, and define less restrictive eligibility criteria for energy cost compensation, notably regarding EBITDA criteria and aid limits. Moreover, they should be flanked with measures inviting member states to also consider other national policy measures to reduce costs for businesses and adjust their tax systems since having sustainable public finances is of key importance for long-term competitiveness.

In December 2022 and in February 2023, the European Council invited the Commission to propose a long-term strategy to boost competitiveness and productivity and to harness the full potential of the Single Market.

We count on the European Council, the European Commission, and the European Parliament to deliver an ambitious long-term competitiveness strategy, with concrete immediate actions to reduce the cost of compliance with European regulation and address the underlying causes of energy costs differentials between the European Union and its main trading partners. Every day lost increases the risk of investment leakage out of Europe.