Scene setter and context

You are invited to speak at the meeting of the BusinessEurope’s Advisory and Support Group (ASG). They are keen to hear your views on the state of European businesses’ competitiveness and what the European Commission is doing to improve it. The ASG group meets four times a year. During the meeting, you can commend them for the fruitful collaboration and underline the ambitions of the Commission. You are expected to give opening remarks, which is followed by an open exchange under Chatham House rules.

Speaking points

Competitiveness

- Our common objective is a competitive European Economy with sustained growth and consequently, income and welfare.
- European industry needs to remain competitive while embracing a transition to cleaner technologies.
- The Commission is actively supporting the decarbonisation of EU industry and expanding EU clean tech industry.
- Succeeding in decarbonising the industry and mastering clean tech will depend on the availability of critical inputs and clean tech technologies.
- Through a mix of measures and regulations aimed at speeding up and scaling up investment in digital, green, clean technologies, and securing access to critical raw materials (including the Chips Act, the Critical Raw Materials Act and the Net Zero Industry Act).
- The global market for key mass-manufactured net-zero technologies is set to triple by 2030 with an annual worth of around EUR 600 billion.
- It has a massive economic potential and opportunities, both in terms of jobs and business growth.
- Reinforcing the EU as a business destination for clean technologies and strengthening resilience of supply chains is thus crucial for competitiveness.

Strategic dependencies

- It is clear to everyone that more public incentives are especially needed to raise private investment.
Especially, in innovation activities that could alleviate the constraints from new dependencies external to the EU. More specifically, in the dependencies that emerge through technologies which are invented for the twin transition. This is a clear public interest.

We are therefore glad that the legislators have agreed so rapidly on the critical raw materials regulation.

We continue our work on agreements with partner states. The aim is to identify areas in which public cooperation could raise the preparedness and reaction to crises. In addition, such agreements could make it easier for enterprises, not only the established multi-nationals, to diversify their risk exposure.

Single Market
- Single Market is a major powerhouse: With 20 million companies, 345 million citizens and consumers, it is the largest exporter globally, in services, automotive, chemicals.
- The Single Market produces standards (technical standards) that give market to our companies.
- Brussels Effect: There is a 20% chance that Europe’s standard is taken over by other countries in the world.
- Reducing transaction cost through Single Market: Doing business in Europe means 20% less transaction cost than doing business interstate in the USA.
- Thus, we need to keep the powerhouse going. This requires additional work.
- We are very aware that timely and correctly applied EU rules are indispensable for enterprises to benefit from scale economies.
- Co-operation with our member states is crucial for improvements.
- This holds above all in the service industries. Services continue to be much less integrated due to a myriad of obstacles in member states to their cross-border provision. We have announced that we will focus our single market efforts on this area.

Investment
- Carrying out our green and digital transformations requires massive private and public investments.
- At the same time EU economies and companies are impacted by high energy costs and tightening lending conditions. These factors risk delaying important investment decisions by enterprises, including investments in green and digital projects.
- Massive subsidies or unfair practices deployed by certain of our competitors on world markets to gain competitive advantage and scale, are a clear obstacle to efficiency and our competitive position.
- We have improved our toolbox against these measures, will apply them even while we talk with our trading partners to find solutions that impede wasteful subsidy races.
Yet it is not just a question of more public funding, but of targeting it better for it to be invested where it matters most.

The ongoing implementation of the recovery and resilience plans with their RePowerEU chapter dedicated to energy is a case in point with their pivotal function for infrastructure and twin transitions.

We adapted state aid rules in critical moments such as in reaction to the exorbitant energy prices. The New Temporary Crisis and Transition Framework supports the production of clean technologies in the EU.

The proposed Strategic Technologies for Europe Platform, once adopted, will reinforce existing EU instruments for a quick deployment of financial support for the development or manufacturing in the Union. Its implementation would constitute a test for a European Sovereignty Fund.

Administrative Burden

Massive regulatory re-orientation is needed to achieve the goal and rapidly for a stable investment environment.

I invite you to report any overlap or gaps that your enterprises bring to your attention very concretely and with their negative effects. The more concrete the illustration, the better we can seek improvements.

Reporting requirements on enterprises are a common complaint. They have their advantages also on the marketplace. Nevertheless, your feedback as market operators could lead to minimise the effort needed.

We have promised a reduction of 25% and we will deliver. I wouldn’t be surprised if more could be done with your contribution.

Most of the burden originates though in member states. In this regard, the example of the permitting process in the net-zero industry regulation may mark a milestone.

Conclusion

The Single Market is the core of our industrial policy; it is not the sum of legislations, rather a powerhouse that needs to grow full steam.

And we look forward to the reports of both Mr. Letta’s on the Single Market and Mr. Draghi’s report on competitiveness, which are two sides of the same coin of EU prosperity.

I refer often to inputs from the side of enterprises. The more concrete, the better.

We follow this approach throughout the endeavour of the twin transition in various forms, notably the Industry Forum.

I want to conclude by thanking you and your members for the indispensable cooperation so far and look forward to its continuation.

(920 words)
Defensives

More efforts are necessary to tackle administrative burden.
- The Commission’s commitment to reducing administrative burdens is stronger than ever. We have already made several proposals to cut or simplify reporting obligations.
- An example is the reform the Union Customs Code, which will create a single EU interface and facilitate data re-use.
- We will intensify efforts to tackle red tape. To make complying with rules easier for companies, the Commission continues to leverage the Single Digital Gateway.
- Limiting administrative burden is a joint responsibility of all EU institutions and levels of government and we need your support, from the private sector, as well.

There is a risk that EU’s “open strategy autonomy” translates into a protectionist fallout.
- Our aim is to strengthen the resilience of our supply chains and economic security without disengaging from global trade.
- But as our supply chain vulnerabilities and critical dependencies are used as geopolitical weapons, we need to find the means to harness globalisation differently, be less naïve and not depend on one single producer.
- This is why the EU is reinforcing its “open strategic autonomy” by boosting domestic production, protecting its economic security, and cooperating with its international partners to diversify the supply of critical intermediate inputs for which total reshoring is too costly, unpractical, or even not possible.
- This is not about de-coupling or being protectionist, this is about de-risking supply chains.

How will the Economic Security Strategy influence the business case for investing in the EU?
- Businesses are often the first to suffer during crises and have to bear the brunt of the economic fallout of geopolitical tensions. Our Economic Security Strategy is an instrument to return to a more predictable business environment in Europe and to de-risk economic interdependencies so that investing in Europe remains attractive.
- Any action taken to improve our economic security will be precise and proportionate, will target clearly identified risks and will not change the openness of the EU to trade and investment and our integration into global value chains.
- Implementation of our Economic Security Strategy will be done together with Member States, our international partners and also the private sector. We need such a coordinated approach to develop a collective understanding of economic security and to put each level (EU, Member States, and businesses) in a better position to mitigate risks.

What is the Commission’s view of the green race rivalry between the US, China, and other big players?
- Trade and competition on net-zero industry must be fair. Some of our international trade
partners’ policies have caused undesired collateral effects on our own net-zero industries.

- China’s subsidies in particular have long been twice as high as those in the EU, relative to GDP. This has distorted the market and ensured that the manufacturing of a number of net-zero technologies is currently dominated by China, which has made subsidising clean tech innovation and manufacturing a priority of its Five-Year Plan.
- The Commission will continue to make full use of trade defence instruments (TDI) to defend the Single Market and rules-based international trade from unfair trade practices like dumping and distortive subsidies.

**How can the EU address predicted skills gaps to meet sectorial needs and ensure that these talents and expertise remain within Europe?**

- Important area as 77% of companies indicate that they struggle to find employees with the required skills (2023 Annual Single Market Report).
- Skills are the most frequently mentioned long-term barriers to investment in the EU (85%).
- To remedy the situation, we have proposed several policy initiatives to ensure that the EU has a workforce fit for the green transition:
  - The Pact for Skills has established 18 large scale skills partnerships in 14 industrial ecosystems and has re- and upskilled 2 million people. EUR 160 million has already been invested into re- and upskilling under the Pact.
  - Under the Net-Zero Industry Act, the COM provides seed funding for the net-zero industry academies, which create learning content for Member States’ vocational education and training providers. The net-zero academies are modelled on the already existing European Battery Academy.
  - Increasing mobility of professionals can help addressing skills shortages, for instance the EU system of mutual recognition of professional qualifications enabled over 800 000 citizens to establish themselves in another Member State (since 1997).
**Background**

**BusinessEurope position on competitiveness**
- BusinessEurope asks for a broad industry strategy to address two main challenges relative to major competitors in other developed regions: regulatory burden; energy prices.
- They stress that the answer to Europe’s competitiveness challenge cannot be to engage in a subsidy race.
- BusinessEurope argues that the European Union needs to give a comprehensive response to initiatives such as the US Inflation Reduction Act. Especially, 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.

**Position BusinessEurope’s on the Net-Zero Industry Act**
- BusinessEurope has welcomed the Net-Zero Industry Act. Global competition for clean technologies is increasing, and major economies need to step up their efforts to meet the goals of the Paris Agreement. They see the Net-Zero Industry Act as a positive step towards attracting investments and transitioning the economy to net-zero in Europe.
- They support faster and simpler permit-granting processes and regulatory sandboxes as they can encourage investment in clean technologies.
- Business Europe has made some suggestions that could further effectively accelerate the transformation to a net-zero industry in their opinion, such as a broader scope of technologies and fostering a market-based and value chain approach for carbon capture and storage.

**Position BusinessEurope on the Green Deal Industrial Plan**
- BusinessEurope finds that the European Green Deal is an important step to help close our investment gap, facilitate the transition towards a climate-neutral economy, and raise Europe’s long-term productivity and competitiveness.
- They address that we must ensure that investment is channelled into productive areas of demonstrable added value, with public funds complementing, and not crowding-out, private sector investments.

**Figures on Competitiveness**
- The central measure of competitiveness, labour productivity, has increased in the EU between 2015 and 2022 by 6%.
- Private investment in the EU recovered from its pandemic decrease. Private investment as a share of GDP has grown to reach in 2022 about 19.3% on average in the EU (higher than in the UK and US in 2022 and it is forecasted to be higher in 2023, 2024 and 2025)
- The share of extra-EU 27 trade in services over GDP has grown steadily to reach 7.7% in 2022, whereas for goods it has been growing particularly since 2020 to 17.6% in 2022.

**CRMA state of play**
- After a handshake trilogue in October and a first political trilogue, the second political trilogue took place on 13 November, when agreement was found between the Parliament and the Council.
- The informal agreement now needs to be approved by both Parliament and Council in order to become law.
- It will be put to a vote in the Parliament’s Industry, Research and Energy committee on 7 December.
**Net Zero Industry Act (NZIA)**

- The Net-Zero Industry Act sets a clear policy direction and increases market certainty through setting a manufacturing capacity benchmark of 40% of the EU’s annual deployment needs by 2030 for strategic net-zero technologies.
- The primary aim of NZIA is to scale up the manufacturing of net-zero technologies, increase the competitiveness of the net-zero tech industrial base and to improve the Union’s energy resilience.
- NZIA provides a regulatory framework that simplifies and speeds up permitting, improves net-zero technologies access to markets and promotes a range of tools such as net-zero strategic projects, net-zero academies for skills and regulatory sandboxes for innovative technologies.
- NZIA is currently in codecision. The Parliament has already adopted its position while we expect a general approach in the COMPET Council of 7 December. If all goes according to plan, trilogues could start as early as 13 December.
- Let us not forget that the surge in clean technology solutions will boost the demand for raw materials enormously. That is why NZIA goes hand in hand with the Critical Raw Materials Act.
- We reached political agreement on the CRMA on 13 November. This was achieved in record time and will give us all more certainty going forward.

**Strategic Technologies for Europe Platform (STEP)**

- STEP aims to create synergies among existing EU instruments and structures, optimise their impact, and channel funding to strategic projects and industrial project pipelines. It will facilitate access to finance for project promoters.
- The STEP one-stop shop will be able to provide information on best ways to apply for EU funding and directing project promoters to the EU programmes best suited to the project characteristics, be it at EU level or at regional level (in case of cohesion policy funds).
- The one stop shop can help directing project promoters to the appropriate hubs to better structuring the projects that need it.
- It will do that by creating a dedicated team within the Commission that will assist MS and ease the coordination among the different EC services on the implementation of STEP.
- The Sovereignty Seal will enable project promoters to have faster access to funding. It will be awarded to projects that contribute to the STEP objectives and comply with the minimum quality requirements of a call for proposals. It will help to increase the funding opportunities across programmes.
- All STEP-relevant calls will be stored in the Sovereignty Portal, enabling a comprehensive overview of all funding possibilities across Europe.

**Single Market report of Mr Letta:**

- **Timing of the Report:** The Report will be presented on 21 March 2024 to the European Council. The programme of the Rapporteur is made of 4 phases: Listening phase (starting in July 2023), the Drafting phase (starting in December 2023), the Feedback phase (starting in February 2024) and the Dissemination phase (from end March to end May).
- **Scope/approach of the Report:** The Report should consist of 50 pages plus annexes. It might be made of five chapters. Three of them are likely to be dedicated to the Open Strategic Autonomy, the future Capital Market Union and issues around Social Economy & Services of General Interest. It is likely that also topics such as enlargement and resources could be covered. The final scope of the Report will be defined at the end of the Listening phase, based on the hearings results.