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CEO Alliance

# Achieving a competitive and green Europe

Europe is at a critical point. Over the last 15-20 years, the continent has lost momentum in economic growth and has fallen behind peer regions. Much of this is due to insufficient focus on incentivizing companies to create and scale new technologies and innovative businesses. If Europe continues down this path, it will be a serious threat to the welfare system and Europe's prosperity. We believe urgent action is needed to reverse course.

Recent reports from Mr Draghi[1] and Mr Letta[2], and Mrs Von der Leyen's political guidelines[3], show that the problem statement is clear. Europe needs to streamline rules and put all its focus on becoming a competitive region again, not least for the sake of achieving the green transition. The reports also show solutions. It is of utmost importance that we now move from talking about the problems to addressing them.

We hereby share the CEO Alliance's six suggestions for solutions we see as most important. In short, they all address reforms in the regulatory landscape to make things simpler and swifter, and infrastructure needs that will lay the foundation for a competitive Europe. And, as stated in the Draghi report, "the global decarbonisation drive is also a growth opportunity for EU industry".

## CEO Alliance key messages

### 1. Accelerating the twin transition will lead to economic growth and wealth creation

It is key for Europe's prosperity to focus on incentivizing and create a demand for green and digital technologies. This includes the accelerated, widespread deployment and adoption of transformational connectivity (such as 5G standalone), electrification, renewable energies and grids. We need a rapid change to create technological innovations that can scale and become the European world leading companies of tomorrow. For this to happen, Europe needs a world class digital infrastructure, secure clean and cheap energy, and an enabling (and not an overregulating) business environment. From our policymakers we need simplicity, focus, and speed. Too many priorities and lack of consistency and coordination between the policies risks leading to few results. Our priority needs to be regaining momentum and creation of wealth.

The findings of the Draghi report will contribute to the Commission's work on a new plan for Europe's path for innovation, sustainable prosperity and competitiveness. In particular, we stress the importance and look forward to the announced new Clean Industrial Deal for competitive industries and quality jobs, which will be presented in the first 100 days of the new Commission mandate.

### 2. Incentivize private investment by enabling sustainable business models

The Draghi report urges the need for unprecedented levels of investment amounting to €800bn a year. To unlock the private part of these investments, Europe needs clear political guidelines, regulatory stability, and competition authorities allowing companies to scale. Europe needs to incentivize healthy return on capital, as only profitable businesses can contribute with the necessary investments. Hence, we urgently need to radically advance in the single market and, at the same time, open up for market consolidations in industry sectors that today are too fragmented – such us for example telecommunications, resulting in low profitability and lack of capital to realize investments needed.

Public investment in research, road, rail and digital infrastructure, and major trans-European electrical grids are essential for enabling higher economic growth in Europe. Public procurement can also be a driver for innovation and the green transition.

[1] https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en#paragraph_47059
[2] https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf
[3] https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf

### 3. Accelerate decarbonization and lower the cost of energy

To reduce dependence from fossil fuels and energy prices volatility, the EU should accelerate its electrification path by expanding renewables, grids and storage. To this end, it is key to offer stable regulations and market rules, long-term planning and anticipatory investments for grids, faster permitting and a harmonized tax-system based on the polluters pay principle and consistent with the EU's energy and climate targets. Furthermore, to accelerate the electrification, demand needs to be created through incentives and positive regulation.

Public authorities should also promote the electrification of energy uses, e.g. electric vehicles, cooling and heating. As stated in the Draghi report, the EU is a world leader in clean technologies like wind turbines, electrolysers, and renewable and low-carbon fuels. More than one-fifth of clean and sustainable technologies worldwide are developed here. Therefore, electrification is also the best industrial opportunity for the EU.

### 4. Reduce regulatory burdens by focussing on simplification, predictability and effective implementation

During the past decades, Europe had regulation as its main priority. For example, in the tech sector there has been clear overregulation, at the expense of innovation. As Draghi states in his report, we need to regulate in a better way, we need simpler, coherent, and harmonised legislation to achieve our common goals and to create a business friendly environment and prosperity in the European Union.

To strengthen predictability and increase investments, existing EU rules must be streamlined, implemented and harmonised across the single market, where suboptimizing and contradictory legislation must be removed. This includes permitting and administrative processes. We call on member states to contribute to this, to avoid fragmented legislation across individual Member States. We urge legislators to focus on the important and utilize positive regulation in the form of incentives and rules that bring down barriers to innovation and scaling, to achieve healthy business models and sustainable products. A reduction of reporting obligations is necessary for Europe's businesses.

Europe should find a better balance between achieving its goals and ensuring the required regulatory stability (e.g. refraining from micro-regulating or from re-opening again and again legislative files on the same topics, where many times the previous reform is still to be implemented). Implementation and delivery must be prioritized with pragmatism. In principle, legislation should set the long-term framework within which companies can develop, and market products and services with entrepreneurial freedom. Regulations that are unnecessarily detailed hinder the economy.

Rules harmonisation is a key element for attaining competitiveness, as is also reflected in Von der Leyen's political priorities, which put a lot of emphasis on the need to simplify existing rules and focus on implementation, and her appointment of a Commissioner for Implementation and Simplification. We need that this happens now.

EU standards have often been successful as global standards, this is something to continue strengthen through EU trade agreements.

### 5. Deepen the Single Market to tackle fragmentation and promote growth

Europe's main competitors – the US and China – have very large internal markets for goods and money which are less fragmented and easier to navigate for companies than the EU Single Market. We need a deeper EU Single Market, including capital markets, to support economic growth, taking inspiration from the EU approach to R&D funding.

Nonetheless, the EU Single Market remains central for Europe, as clearly highlighted in the Letta report, and a deepening and expanding of it across various sectors (energy, capital markets, telecommunication, to name a few) will result in increased economic growth and prosperity. Pushing the work forward on the capital markets union, as is mentioned in both the European Council Strategic Agenda[4] and Von der Leyen's political priorities, must become one of the cornerstones, as tangible progress in this area would serve a large number of economic sectors, if not all.

[4] https://www.consilium.europa.eu/media/4aldqfl2/2024_557_new-strategic-agenda.pdf

Implementing harmonized energy taxation in the EU, based on the "polluters pay" principle and consistent with the EU's energy and climate targets will avoid distorting the Single Market. The divergence between national taxes has contributed to a huge disparity in electricity prices across the EU penalising the industry and losing competitiveness. This divergence hampers attempts to set up a truly European electricity market that would allow the circulation of electricity from cheaper generation sites to other regions with demand. A higher share of taxes on EU electricity prices heavily burdens European industries and consumers, particularly compared to the US, where taxes can be four times lower. In addition, as far as renewables are concerned, the US offer a "tax credit system" that supports their competitiveness without increasing prices for consumers.

The EU approach to R&D funding can serve as inspiration for developing common investments in digital, electricity, hydrogen, charging and transport infrastructure. Ultimately, a deeper Single Market will make the EU more resilient to external shocks.

### 6. Reform competition policy to enable scale and drive innovation

EU competition policy has too often hampered innovation and scaling of services and products in Europe, penalizing European players vis-à-vis their competitors from the US and China. One example, as Draghi points out in his report, is the telecommunications sector. We need a Europe that supports and enables European companies to become innovative global leaders in all areas, including the digital and green transition, and in this context we welcome Draghi's assessment on revamping competition policy to support a new Industrial Deal and the benefits of an internal electricity market based on a marginal pricing system that promotes efficiency and ensures competition.

State aid should support the sectors that are most exposed to unfair competition, provided that aid is granted for investments that contribute to the objective of the green and digital transition (clean tech, net-zero, etc.). Aid should be calibrated in a way that does not fragment the internal market and that does not wipe out incentives for the aid recipients to behave efficiently in their respective markets.

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Now is the time for the European institutions to act urgently and in unison to ensure Europe can regain its competitive edge and drive the twin transitions. Business as usual will not deliver against EU leaders´ strategic agenda to close the growth, productivity and innovation gaps and make Europe a technological and industrial powerhouse. The CEO alliance remains committed to playing our full part to achieving this. As Draghi highlighted: "The reasons for a unified response have never been so compelling – and in our unity we will find the strength to reform".

On behalf of the CEO Alliance,

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**About the CEO Alliance:** We are a cross-sector action tank consisting of leading European companies representing key industry sectors, with ~1.6 million employees and ~EUR 560 billion annual revenue**.** We use our broad platform to make decarbonization of European industry happen. In spite of the challenging times we firmly believe that the only way forward for a competitive, prosperous, resilient and sustainable Europe is an acceleration of the transition to green energy and technology. Further information about our work is available on our website, www.ceo-alliance.eu.