U.S. Chamber of Commerce

Europe's Competitiveness Challenge

Pathways to Renewed Growth

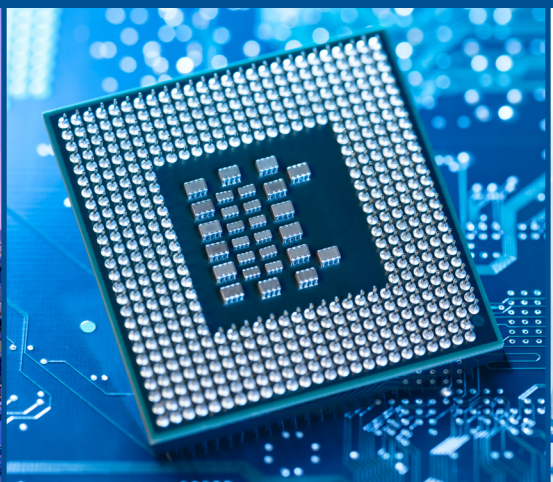


Table of Contents

Introduction: The European Union's Competitivesness Challenge 4

Economic Context Underlying the EU's Competitiveness Challenge 8

Internal Elements of the EU's Competitiveness Challenge 14

The EU's Evolving Approach Toward Industrial Competitiveness 24

Call to Action for the Next Policy Cycle 30

Conclusion 34

Introduction: The European Union's Competitiveness Challenge

There is a growing awareness – in Europe and elsewhere – that the EU's competitiveness and business climate is in accelerating decline. Weak economic indicators and Europe's lackluster competitiveness in sectors including technology, energy, and manufacturing have created pressure on policymakers to examine how to improve Europe's standing in global markets. There is no doubt that bolstering competitiveness will be a major topic during the 2024-2029 legislative cycle. This will include robust debates about appropriate intervention measures and the architecture of the EU's industrial and financial structures. Guiding much of the conversation will be reports by two former Italian Prime Ministers: Enrico Letta's April report on the Future of the Single Market[1] and Mario Draghi's soon to be released report on European competitiveness.

The U.S. Chamber of Commerce is the world's largest business organization and network, representing companies of all sizes across every sector of the economy. Thousands of our members are invested in or trade with Europe, and many of them have been present in Europe for decades. They provide critical goods, services, and solutions for European citizens, institutions, and businesses. They contribute to economic growth, entrepreneurship, innovation, and job creation. They help create conditions for the prosperity and stability of local communities and national economies. Exports from their European facilities have helped secure the EU's position as a leader in global markets. Together, the U.S. and EU enjoy the world's largest commercial relationship, valued at $8.7 trillion and supporting more than 16 million jobs on both sides of the Atlantic.[2] The U.S. Chamber therefore welcomes thoughtful consideration of policies to boost the long-term performance of the EU market. Given the scope of our relationship, a stronger, more competitive Europe is in our shared interest.

1 Enrico Letta - Much more than a market (April 2024)

2 The Transatlantic Economy Report 2024

The U.S. Chamber of Commerce is the world's largest business organization and network, representing companies of all sizes across every sector of the economy. Thousands of our members are invested in or trade with Europe, and many of them have been present in Europe for decades. They provide critical goods, services, and solutions for European citizens, institutions, and businesses. They contribute to economic growth, entrepreneurship, innovation, and job creation. They help create conditions for the prosperity and stability of local communities and national economies.

Exports from their European facilities have helped secure the EU's position as a leader in global markets. Together, the U.S. and EU enjoy the world's largest commercial relationship, valued at $8.7 trillion and supporting more than 16 million jobs on both sides of the Atlantic. The U.S. Chamber therefore welcomes thoughtful consideration of policies to boost the long-term performance of the EU market. Given the scope of our relationship, a stronger, more competitive Europe is in our shared interest.

U.S. Chamber President and CEO Suzanne Clark, recently noted, “As the most important partnership and geo-economic base in the world, the U.S. and Europe need to be collaborative—not combative—in the face of the global challenges we face. We must champion competitiveness, embrace innovation, lock arms, and lead together.”

Across Europe, government officials are looking to cast blame, arguing that the bloc’s economic and competitive downturn is rooted principally in external shocks or factors: the COVID pandemic, Russia’s invasion of Ukraine, the U.S. technology sector; and the rise of global economic rivalries. On this last point, European political leaders have emphasized aggressive and anticompetitive practices from authoritarian regimes, chiefly China, and market distortions that unfairly advantage other economies, namely the U.S. Inflation Reduction Act (IRA). That framing has falsely equated competitiveness of economies with competition among economies, creating the perception of zero-sum global economic conflict.

In reality, the interconnectedness of the global economy, particularly between Europe and the U.S., means that accepting this view of international competitiveness could prompt antagonistic policies that would ultimately damage our respective economies. Instead, a competitive market should be defined by a business environment that allows firms to successfully drive growth, productivity, and subsequent real increases in income and welfare, irrespective of the comparative appeal of alternative markets. Healthy competition between countries based on fair trading practices is not a race to the bottom. It can encourage governments to create the best possible conditions for businesses to thrive and grow through collaboration and technological advances.

The Chamber shares many of Europe’s concerns about some behaviors of non-market economies, and we will continue to advocate for the U.S. and the EU to jointly advance shared economic security goals and counter anticompetitive trade policies and practices. Nevertheless, we believe that the reason behind much of the falling competitiveness across major industrial producers in Europe rests on internal factors and trends. Policymakers must instead focus their attention on measures that can effectively address these structural challenges to ensure continued industrial and economic growth, and not merely a rise in performance vis-à-vis other economies.

U.S. Chamber President and CEO Suzanne Clark, recently noted, “As the most important partnership and geo-economic base in the world, the U.S. and Europe need to be collaborative—not combative—in the face of the global challenges we face. We must champion competitiveness, embrace innovation, lock arms, and lead together.”

In short, Europe suffers from excessive regulation that stifles growth and investment and cannot regulate its way to innovation. Within this context, Europe needs to prioritize:

1. **Regulatory Assessment and Business Viability**

   The EU must undertake a thorough evaluation of the business environment in which European and foreign firms in the EU operate. The cost and regulatory burden of doing business in Europe continues to rise dramatically and companies are subject to unsustainable layers, fragmentations, and volumes of regulatory requirements.

2. **Incentivizing Industrial Growth through Strategic Engagement**

   To compel positive behavior of companies, governments may opt for tools to incentivize, mandate, or fund desirable outcomes; the EU has traditionally relied on the latter two. We acknowledge the Letta and upcoming Draghi reports on shifting the focus towards prioritizing incentives for industrial growth. Building out prudent programs that can incentivize private investment and growth across the industrial landscape will require ongoing engagement with both European zand global business communities.

3. **Balancing Protectionism with Global Economic Integration**

   Catalyzing competitiveness will require a network of strong, dependable global partnerships. Undue protectionism only hampers markets and subsidy races threaten economic growth. We recognize the efforts by European leaders to nurture domestic industry leaders and champion high-value domestic manufacturing capacity. However, Europe cannot grow that capability at the expense of innovation, collaboration, and respect for international rules, or without the strong presence of global companies that contribute to the EU's economic, social, and security stability.

As European policymakers continue to define their agenda to improve industrial performance and spur economic growth and prosperity, American business remains steadfastly committed to European markets. As policymakers in Europe look to spur growth in critical sectors and resolidify a European manufacturing base, they must ensure they do not fall into the trap of shielding the market against necessary innovations, choosing predetermined technologies, or mandating behavior through compliance costs. The EU will need to create the right regulatory conditions and leverage required public and private investment to meet these goals.

This report explores the economic context underlying Europe's competitiveness difficulties, flags areas of concern in key sectors, and offers recommendations to help inform policymakers as they confront this multi-faceted challenge.

Economic Context Underlying the EU's Competitiveness Challenge

Growth Performance

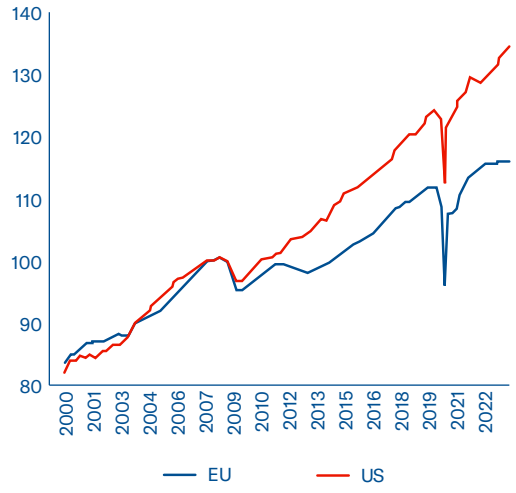
Earlier this year, the Commission downgraded its projected EU growth rate to 0.7% for 2024. Growth is expected to pick up in 2025, but the rebound will be more modest than originally thought, clocking in at 1.3%. Delays in public investments and reforms, an aging population, declining productivity, disruptions to global trading routes, and high energy prices will continue to put downward pressure on growth in the medium term.

Since the global financial crisis in 2007-2009, the EU's economic trajectory has diverged markedly from the U.S., a peer in terms of economic development and market size. While the U.S. economy has grown 35% since 2009, the EU economy grew by only 15% during the same period. Since 2019, EU growth has been approximately half of that in the U.S.

Several factors account for this performance. The financial and euro zone debt crisis led to a sharp drop in economic activity and depressed growth in many southern European economies for more than a decade. Russia's invasion of Ukraine in 2022 and the ensuing spike in energy prices have led to cuts in energy-intensive production, created unsustainable pressures on public budgets, and stifled consumer confidence. Geopolitics have taken center stage in determining and shaping economic relationships.

Fig.1 Diverging economic trajectories

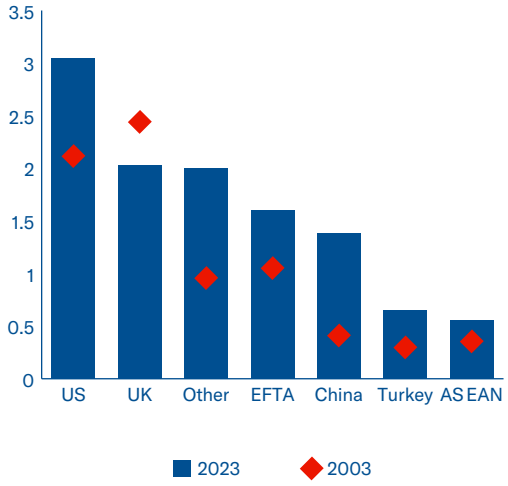
EU and US Real GDP indexed, Q1 200=100



Source: Eurostat, US BEA

Fig.2 Risking EU export dependence

Extra-EU merchandise exports as % of EU GDP



Source: Eurostat

The EU also has relied increasingly on an export-driven economic model. The EU is the world's largest trader of manufactured goods and services, and extra-EU merchandise exports now account for around 16% of the bloc's GDP, up from 12% some twenty years ago. The share of foreign value added in gross exports from the EU was more than double that of the U.S. in 2020. Dependence on exports to fuel growth has grown as domestic demand has slipped, diminished by factors including fiscal policy choices, energy prices, tax rates, and labor markets structures. The EU also has benefited significantly from strong demand growth in other parts of the world: Last year, EU exports to the U.S. and China alone accounted for almost 30% of its trade in goods. Still, recent geopolitical instability has revealed vulnerabilities of export-based growth. Increasing barriers to trade threaten Europe's access to foreign markets or supplies of critical goods and technologies.

Investment Environment

Investment levels in Europe have remained stubbornly low since the global financial crisis. Specifically, the EU trails the U.S. with regard to investments in productive, non-residential assets. That gap widened to nearly 2% of GDP following the global financial crisis, and the EU's productive investment remains lower than in China and South Korea.[3]
The attractiveness of Europe's investment environment to foreign investors has likewise declined. Between 2018 and 2022, more than $170 billion in direct investment left the EU. This contrasts with more than $1.39 trillion of net FDI inflows into the United States during that same period. In 2023, global investment in the EU, excluding Luxembourg and the Netherlands, dropped 23%,[4] and investment in Germany by foreign firms was at its lowest level in a decade. By contrast, the U.S. saw only a 3% dip in global FDI inflows.[5]

3 EIB Investment Report 2022/2023: Resilience and renewal in Europe

4 The Transatlantic Economy Report 2024

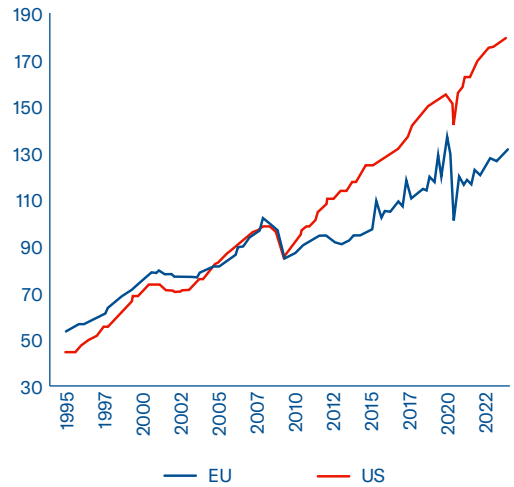
5 Global Investment Trends Monitor, No. 46 | UNCTAD

Public fixed investment, net of depreciation, similarly indicates a growing divergence on the two sides of the Atlantic. It fell to close to zero in the EU in the mid-2010s and despite more recent recovery, continues to trail the U.S. by a wide margin. While exchange rate fluctuations and differences in price levels make exact comparisons difficult, these figures are in line with the broader investment narrative.

Finally, current spending instruments are not inexhaustible: The EU's temporary state aid framework is already being phased out, with some sections remaining in force only until the end of 2025. NextGenerationEU, the bloc's unprecedented €806.9 billion package of grants and loans, will end in 2026. New fiscal rules, competing spending priorities, and long-term demographic trends will continue to constrain public investment spending. Despite calls to increase the shared EU budget, many EU Member States, notably France, Italy, Germany, and Spain, are not expected to be in a strong fiscal position to support increases in national or EU-level spending.

Fig.3 Growing gap in real productive investment

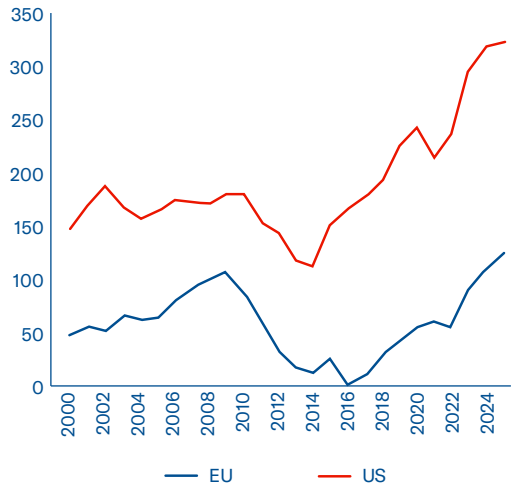
Investment in machinery, equipment and IP, 2008=100



Source: OECD

Fig.4 Public investment in fixed assets

Government net fixed capital formation in nominal € bn



Source: DG ECFIN

Therefore, the private sector will need to be the principal source of continuing investments in digital and energy transformations. Yet companies cite an array of barriers that discourage them from increasing investments in Europe, and the latest European Investment Bank investment survey reveals interesting insights: 80% of firms report as barriers a lack of staff with the right skills, high energy prices, and general uncertainty about the future; 60% cite business and labor market regulations as critical factors; and 40-50% say access to financing, along with digital and transport infrastructure is affecting their investment decisions.[6]

Any EU economic strategy must carefully consider and address these challenges, or risk missing out on the next wave of private investment.

Productivity

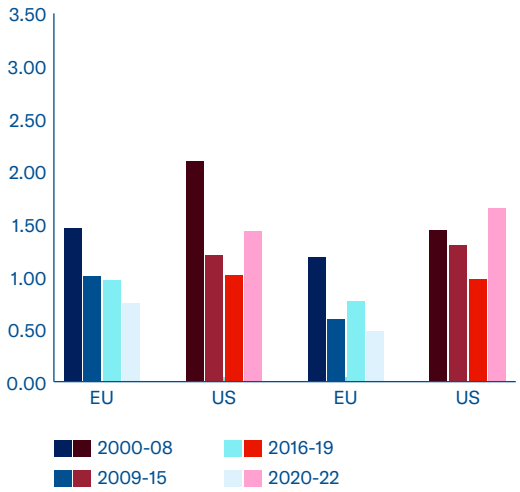
Recent productivity growth has been disappointing on both sides of the Atlantic, although there are signs that this is picking up in the U.S. EU labor productivity in terms of output per hour worked is growing at a slower rate since 2009 and has only worsened since the pandemic.

On output per person employed, the U.S. has performed markedly better than the EU, reflecting the generally longer hours of U.S.-based employees. Europe's commitment to leisure time and a population rapidly ageing out of the workforce will mean fewer total hours of work output across European economies. Brussels and the Member States will need to close this productivity gap with the development, investment, and adoption of technology, and through a positive business, investment, and entrepreneurial environment.

6 EIB Investment Report 2022/2023: Resilience and renewal in Europe

Fig.5 Growing divergence in productivity growth

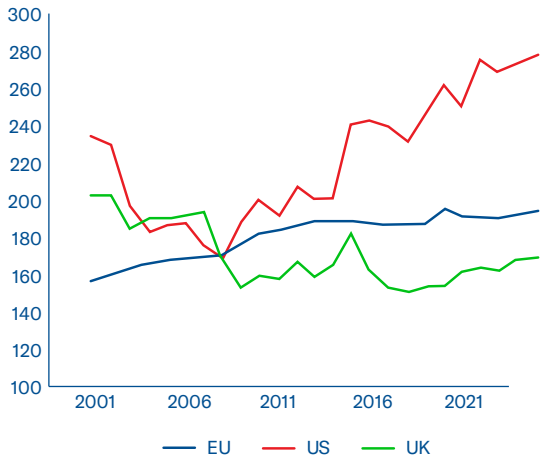
Average annual labor productivity % growth
(L: output per h worked; R: output per person)



Source: OECD

Fig.6 Capital stock per person employed

€ thousands



Source: DG ECFIN

Total Factor Productivity (TFP), which measures efficiency of production (in short, technological gains), also contributed to productivity growth much more significantly in the U.S. than in the EU – not least because of American firms, including both large corporations and SMEs, have been faster to adopt digital technologies than their EU counterparts. The EU will need to engender a rapid digital transformation of the business sector to ensure European firms remain competitive.

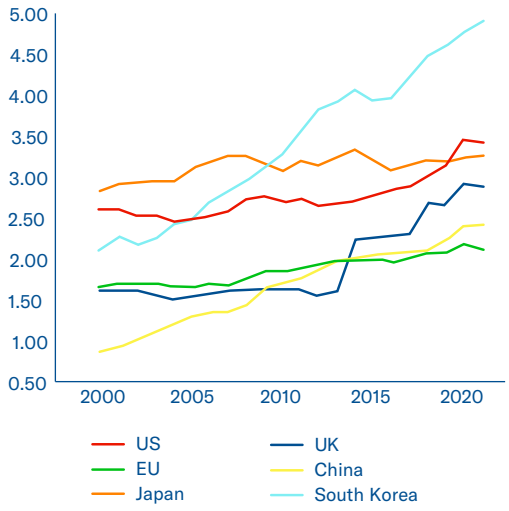
Innovation and Technological Leadership

Europe's innovation capacity is also declining. EU-wide expenditure on research and development (R&D) has remained relatively constant over the last decade, rising only from 1.8% of GDP in 2010 to 2.2% of GDP in 2021. By contrast, R&D spending in the U.S. exceeded 3% of GDP in 2019 and continues to grow, and spending has accelerated more rapidly in other parts of the world, notably in South Korea and China.[7] The EU's Digital Decade initiative hopes to achieve a 3% R&D target by 2030, but in the meantime the spending gap continues to widen.

7 WIPO IP Facts and Figures 2022

Fig.7 EU R&D spending lagging behind

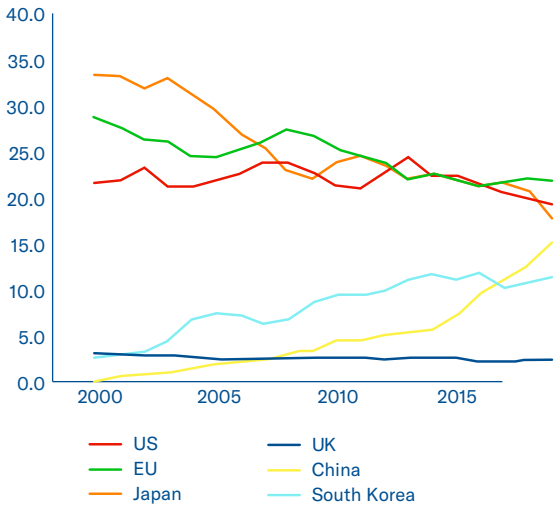
Gross domestic expenditure in R&D, % of GDP



Source: OECD

Fig.8 EU faces tougher competition in greentech

Global share in environment-related patents



Source: OECD

Compounding this problem is the EU's difficulty in developing and commercializing new technologies in both emerging and established sectors. The number of American unicorns (about 700) is double the number in Europe. The EU lags the U.S. and China in cutting-edge technologies such as artificial intelligence (AI), including generative AI, and quantum computing. Where 35 generative AI companies managed to scale up in the U.S. by November 2023, only three did so in Europe. Meanwhile, as China moves into more sophisticated and high-value manufacturing activities, Europe faces fiercer competition in sectors of traditional strength, and EU firms exposed to increasing Chinese competition have posted slower productivity growth. Finally, Europe's largest firms invest less and spend half as much of their revenue on R&D compared to U.S. firms.[8]

Fostering homegrown development of technological advancement and innovation in Europe will depend on increasing access to talent and capital, easing regulatory and administrative burdens, incentivizing funding of R&D and emerging firms, and drawing on potential economies of scale and proximities to innovation hubs.

8 WEF - Why scale matters for than ever for European competitiveness

Internal Elements of the EU's Competitiveness Challenge

While macroeconomic developments and geopolitical events have contributed to Europe's subdued growth, it is critical to examine the internal elements that have led to the loss of competitiveness across major industries in Europe. Many of these trends predate recent geoeconomic shifts. Understanding them is essential if EU institutions truly want to tackle the competitiveness gap.

1. Regulatory Burden

An overly complex EU regulatory environment has contributed directly to European deindustrialization. Regulations should be fit for purpose and easy to understand, setting appropriate guardrails that allow for innovation and growth. Unfortunately, this is not the case in Europe, where a complex regulatory regime is creating operational uncertainty, raising compliance risks, and forcing companies to redirect resources towards administrative processes and away from R&D and investment.[9]

In comparison to the U.S., Japan, and South Korea, perceptions of private sector friendliness and regulatory quality in the EU have markedly declined[10] due to the increasing volume and speed of regulation. Some EU officials acknowledge the problem of regulatory fragmentation across Member States and posit that the solution is to give EU regulators more authority. Fragmentation and divided competencies certainly present difficulties, but the core issue is the sheer number, breadth, and substance of EU regulations.

In the last legislative term, the EU passed 8,473 adopted acts.[11] (By contrast, the U.S. passed 2,773 pieces of Enacted Legislation and Executive Orders between 2019 and 2023.[12]) The model of "one Directive + 27 different Member State laws," whereby Member States independently or inconsistently interpret or gold-plate EU Directives, has created additional costs for companies.[13]Since spring 2023, new EU legislation and recently passed implementing acts – including the Foreign Subsidies Regulation, the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the Carbon Border Adjustment Mechanism (CBAM), the Taxonomy, and data and cybersecurity requirements –

9 AmCham EU's vision for the future: Attractiveness of Europe: Agenda for Action 2024-2029 | AmCham EU

10 An ice-bath for EU leaders. Competitiveness is crumbling: Europe's business case needs a rebuild - ERT

11 Legal acts – statistics - EUR-Lex (europa.eu) . Number includes legislative and non-legislative acts (delegated and implementing acts)

12 GC own calculations on Federal Register and Govtrack.us

13 The Antwerp Declaration for a European Industrial Deal (antwerp-declaration.eu)

have dramatically expanded the number of reporting obligations placed on companies. Recent initiatives to boost cross-industry productivity growth and competitiveness in response to the U.S. Inflation Reduction Act (IRA), such as the Net-Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA), risk generating more regulation and legal uncertainty, hindering large and small businesses from adopting new technologies and technology-driven services. Measures such as the Digital Markets Act (DMA), Digital Services Act (DSA), and AI Act impose onerous requirements and, in some instances, discriminate against American companies. Measures that do not consider real-world business realities will slow growth, reduce investment, and suppress dynamism and innovation.

There is a growing cognizance among policymakers that excessive reporting requirements hurt European competitiveness. Commission President Ursula von der Leyen pledged in March 2023 to reduce reporting obligations by 25%,[14] a promise that remains a central element of her candidacy for a second term. The 2024 Antwerp Declaration for a European Industrial Deal also called for a correction against overregulation and regulatory incoherence.[15] Actions to address the regulatory burden will be essential in the next political cycle.

A meaningful 25% reduction in regulatory burdens needs to apply not only to the number of regulations but also to their impact. Co-legislators must commit to use regular or extraordinary review of EU legislation to reduce the scale and complexity of regulatory obligations in a way that enables existing business operations and facilitates new investments. The Commission should conduct periodic fitness checks or proportionality tests on both current and proposed legislation[16] to validate tangible, positive effects at a cost that is manageable and reasonable for both businesses and consumers. Achieving this goal is likely to require dedicated political resources and remit to deliver this reduction across the directorates-general in the European Commission.[17] Additionally, rather than focus on new legislation, Commission officials must prioritize implementation of already adopted measures and engage meaningfully with industry stakeholders to ensure legislation effectively serves its intended purpose without imposing unreasonable burdens on industry. This will streamline the regulatory process and allow for assessment and adjustment based on practical feedback from industry.

In this context, the medical device sector stands as a prime example, facing an intricate array of regulatory reforms and barriers to innovation. To reclaim its position at the forefront of medical device innovation, Europe must simplify its regulatory processes, including through initiatives such as the Medical Devices Regulation (MDR) and In Vitro Diagnostic Regulation (IVDR). Alongside addressing the financial recovery strategies of Member States, these initiatives are key to Europe's ability to pivot towards policies that stimulate investment, innovation, and reinforce its position as a global leader in medical technology.

14 Speech by the President on the preparation of the March EUCO (europa.eu). Despite these positive signals, according to EU industry, the Commission has so far not made any tangible progress on reducing the reporting burden. Instead, the sense is that the reporting burden has in fact increased since 2023 with a set of new EU legislation and implementing acts being passed (which includes the Foreign Subsidies Regulation, the Corporate Sustainability Reporting Directive etc.).
ERT – Single Market Obstacles: Technical Study 2024, p.8.

15 The Antwerp Declaration for a European Industrial Deal (antwerp-declaration.eu)

16 https://ert.eu/wp-content/uploads/2024/02/ERT-Single-Market-Obstacles_Technical-Study_WEB.pdf

17 The Antwerp Declaration for a European Industrial Deal (antwerp-declaration.eu)

Box 2: The risks of overly strict regulations: The PFAS example

Good regulation is essential for businesses to create the right environment for fair competition and to clarify the investment conditions. Regulations that do not apply rigorous risk-based approaches and do not consider the economic and technical reality of certain products or technologies create disadvantages for innovators and preclude access to consumers and users.

For instance, the EU's medical devices and pharmaceutical sectors face important supply chain risks due to the proposed ban on all Per- and polyfluoroalkyl substances (PFAS). While medical devices are small-scale users of PFAS compared to other industries, components made of PFAS are vital to the functionality of medical devices, because of their flexibility or rigidity, impenetrability, resiliency, and resistance to degradation. This presents significant challenges in the production of medicines as well. Beyond the medium-term impact on processing chemicals, devices, and manufacturing equipment, there could be long-term implications for the production of Active Pharmaceutical Ingredients.

To avoid product shortages for patients, the EU should develop a risk-based approach and propose a realistic transition pathway (including sufficiently extended derogations) to non-PFAS alternatives that are reliable and feasible for medical technologies and medicines.

Parallelly, the biopharmaceutical sector in Europe is at a crossroads. The choices Europe makes in the coming period will be instrumental in determining whether the biopharmaceutical industry can continue to draw sufficient investment to maintain its presence across the region. In this context, the task of aligning intellectual property incentives with health outcomes, the push for more efficient regulatory approvals, the importance of timely responses to medicine shortages, and the facilitation of free-flowing data for research are all centralEurope's competitive edge. Ensuring consistent Health Technology Assessment (HTA) processes and maintaining research incentives for rare diseases is vital. The existential threat of financial recovery mechanisms drastically impacts the stability of the biopharmaceutical industry in Member States. Coupled with the crucial role of industry input in shaping the EU's Health Emergency Preparedness and Response (HERA) policies, it underscores the sector's complex operating environment in Europe.

Intra-EU trade in goods and services, % of GDP

2. Single Market Barriers

In the 30 years since its creation, the Single Market has provided invaluable political, economic, and social benefits for Europe. Beyond the free movement of goods, services, capital, and people, it has strengthened the efficiency of the private sector and given consumers greater access to a wider array of goods and services at more affordable prices.[18]

Today the EU must rapidly take steps to deepen and adapt the Single Market to succeed in a rapidly changing global environment. Compared to similarly sized internal markets, including the U.S. and China, the EU market remains divided and difficult to navigate. The integration of the Single Market has experienced years of stagnation, presenting a key structural challenge to Europe's competitiveness.[19] Sixty percent of the barriers that European businesses report facing today match those that were flagged 20 years ago. These notably include the complexity and lack of information on national procedures, disproportionate national requirements in services, and burdensome administrative requirements for posting workers.[20] The European Parliament Research Service estimates that removing internal market cross-border barriers could generate $1.92 trillion in additional GDP by 2032.[21]

18 AmCham EU's vision for the future: Attractiveness of Europe: Agenda for Action 2024-2029 | AmCham EU

19 An ice-bath for EU leaders. Competitiveness is crumbling: Europe's business case needs a rebuild - ERT

20 Coalition of 25 European associations calls for 'more love for the Single Market' - ERT

21 European Parliament Research Service (EPRS), "Increasing European added value in an age of global challenges: Mapping the cost of non-Europe (2022-2023)", February 2023.

Box 1: The trillion-euro question: unlocking the economic benefits of cross-border data flows

A strong, competitive, and innovative Digital Single Market can exist only if underpinned by a truly seamless flow of non-personal data. The Regulation on the Free Flow of Non-Personal Data is essential to create a framework that supports this and the EU's other wider digital policy objectives. However, requirements to localize data in certain jurisdictions mean that businesses face additional costs, Digital Single Market integration is undermined, and access to the latest technologies is complicated.

Beyond the internal market, this fragmentation also hampers firms' ability to benefit from the free flow of data with like-minded trading partners. In practice, these diverging rules, procedures, and requirements act as constraints to economic development. The effects of an economic policy approach that seeks greater liberalization could be worth almost 1% of EU GDP in 2030[22].

The requirements under the above-cited EU Regulation should be reinforced to prevent barriers to the free flow of all types of non-personal data from being introduced or maintained by Member States. This approach should aim for coherence with the G7's initiative on data free flows with trust.

While some of these challenges are common across industries, sector-specific barriers also exist. In the energy sector, industry stakeholders have raised concerns about lengthy planning and permitting bottlenecks that hamper deployment of energy infrastructure, including in renewables and green technologies. Complex and divergent permitting requirements involve too many contact points, leading to a wait time average of five to six years.[23]

Agreements on issues in the Single Market[24] have not yet translated into remediation efforts by EU institutions. The Commission's political priorities have shifted: An array of crises and shocks diverted focus from tackling Single Market barriers to addressing strategic dependencies on third countries. As a result, the Commission has not been able to translate the vast amount of evidence into a clear strategy. Nevertheless, Europe has previously managed drastic overhauls of the Single Market, and the Letta report outlines some potential tools, including mobilizing joint savings and investments. The starting point of any meaningful reform of the Single Market to raise Europe's competitiveness must confront the challenges of regulatory overload and fragmentation across the EU.

22 The value of cross-border data flows to Europe: Risks and opportunities, Digital Europe

23 Coalition of 25 European associations calls for 'more love for the Single Market' - ERT

24 The Commission has made an extensive mapping of Single Market barriers in 2020: European Commission, "Single Market Barriers Report, In 'A Europe Fit for the Digital Age' ", March 2020.

3. High Energy Prices

Persistently high energy prices have prompted warnings from business leaders about the potential for widespread European deindustrialization, with producers in various manufacturing and industrial sectors weighing strategies to relocate production to other regions.[25] Despite the entrenched challenge of high energy prices, the EU's policy response to date has focused primarily on short-term crisis management, overlooking the need for wider reforms to guarantee long-term security of energy supplies and stability of energy prices. The absence of a forward strategic energy agenda has exacerbated the impact of the energy crisis on consumers and businesses.

Several factors are at play. First, the EU lacks an integrated energy market. Divergent approaches by individual EU Member States have led to inefficiencies, lack of critical continent-wide infrastructure, and ongoing price differences. EU industry also continues to face higher administrative input costs. Various national taxes and levies can constitute up to 40% of electricity prices. The phase-out of allowances under the Emissions Trading System (ETS) will raise costs of industrial production as well as heating and fuel bills. The EU has designed its carbon border adjustment mechanism (CBAM) to protect domestic markets against lower-cost imports, but it does not address the impact of higher carbon prices on manufacturing inputs, production, and exports.

The EU has been slow to adopt a bloc-wide scheme to incentivize an energy mix that safeguards availability of supply and contributes to climate objectives. Global energy demand is expected to rise through 2050, and current prediction models don't necessarily capture the massive energy needs of AI-powered data processing. Most of the rise in electricity demand will be covered by rapid deployment of renewables, but natural gas and nuclear power will continue to play a critical role in electricity generation, industrial production, and decarbonization.

The EU is a global leader in reducing carbon emissions. Continuing progress will depend on quickening the move away from coal in industrial production, and appropriately preparing the market to attract and generate the right energy and technology mix to support current and future demand. Long-term contracts that hedge against price volatility will be crucial to much-needed predictability and certainty in the market. The EU will collectively need to invest in developing and updating critical energy infrastructure and connectivity.

25 An ice-bath for EU leaders. Competitiveness is crumbling: Europe's business case needs a rebuild - ERT, Europe & the energy crisis in 2023 | Economist Intelligence Unit (eiu.com)

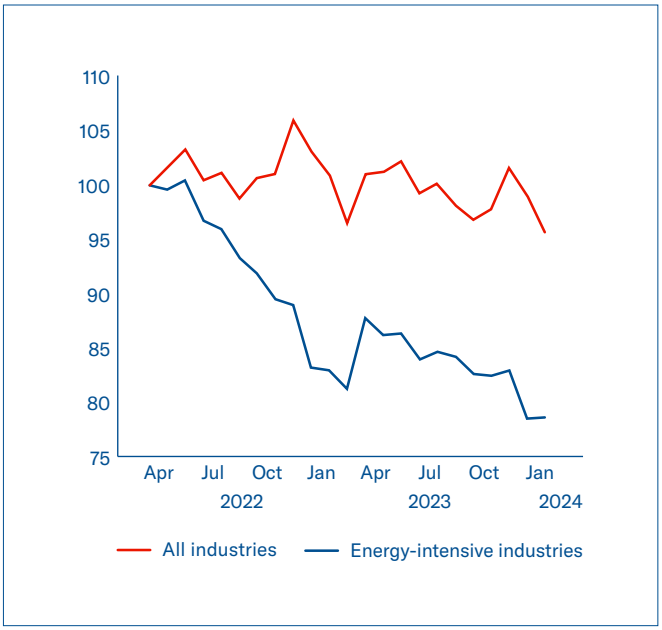
Finally, the question of energy necessarily remains tied to geopolitical considerations. Europe has made extraordinary progress in diversifying away from Russian energy, but more work is needed to ensure long-term global energy, economic, and physical security. Russia's chokehold over Europe's gas supplies cannot be replaced by Chinese dominance in renewables. China is projected to account for more than 80% of the world's solar power manufacturing capacity by 2026. Chinese competitors are swiftly catching up to European wind turbine production and dominate research in the cleantech sector. The next Commission will need to build strong energy alliances with reliable trading partners, including through regulatory equivalence, and consider how to incentivize investment and collaboration in innovative carbon-cutting technologies.

Finally, while high energy prices have undoubtedly devastated production in certain key industries, they have also been the scapegoat for the overall drop in productivity and competitiveness of EU industry. Industrial activity has fallen sharply even in non-energy intensive sectors, which make up two thirds of the value of Europe's goods produced by the manufacturing sector.[26] Production curtailments in energy-intensive industries in 2022 have been slow to regenerate despite falling energy prices.

Subsidies and financial protections awarded to energy-intensive industries appear to have had a measurable but modest impact on preserving industrial activity. Yet conditions attached to disbursement of funds have meant that of the €730bn of aid approved under the Temporary Crisis and Transition Framework (TCTF) between March 2022 and July 2023, only €141 billion was granted to companies.[27] As those subsidies expire and governments face increasing fiscal constraints, industries will be left to operate in an increasingly difficult environment.

Germany's industrial production has suffered

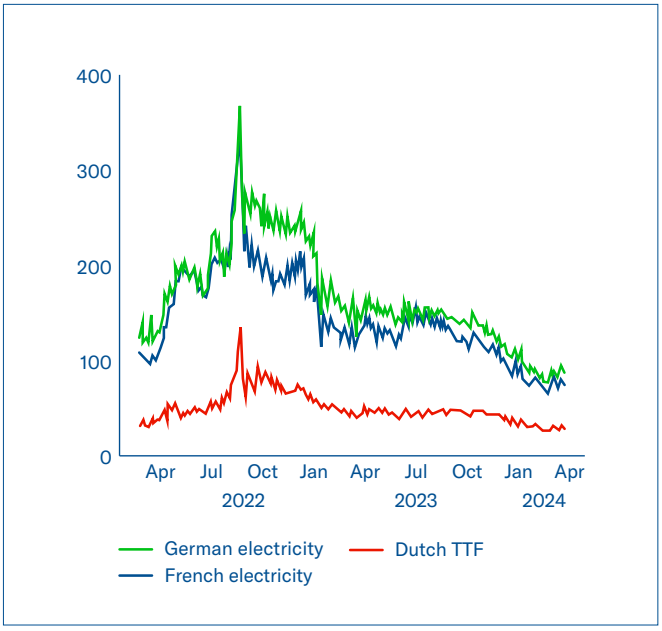
Index Mar 2022 = 100, 3-month rolling average



Source: Macrobond, Global Counsel

Energy futures have come down from peaks

December 2025 settlement price, € per MWh



Source: Nasdaq, Global Counsel

26 Statistics | Eurostat (europa.eu)

27 European Commission - Competition state aid brief (February 2024)

4. Technology Adoption

The EU missed the first big wave of tech innovation. The "Magnificent Seven"[28] U.S. technology companies have a combined market value of €11 trillion, while their EU peers' clock in at €640 billion. In 2023, only 14% of EU companies used big data, and only 8% employed AI. The EU itself predicts that by 2030, without further investments, only 66% of businesses will use cloud, 34% big data, and 20% AI. This falls well short of the EU Digital Decade goals that call for 90% of businesses to use at least one of these advanced technologies.[29] Capitalizing on emerging technologies will be crucial to improve productivity and efficiency in key sectors.

The EU also needs to create an effective framework to encourage R& D in new tech, as well as ensure access to and uptake of the most advanced digital systems by companies of every size and sector.

To date, the EU regulatory framework has failed to foster an environment conducive to technological innovation. The disparity between the EU and its global counterparts is stark, and the gap will only widen unless the EU recalibrates its approach to regulation and investment in technology.

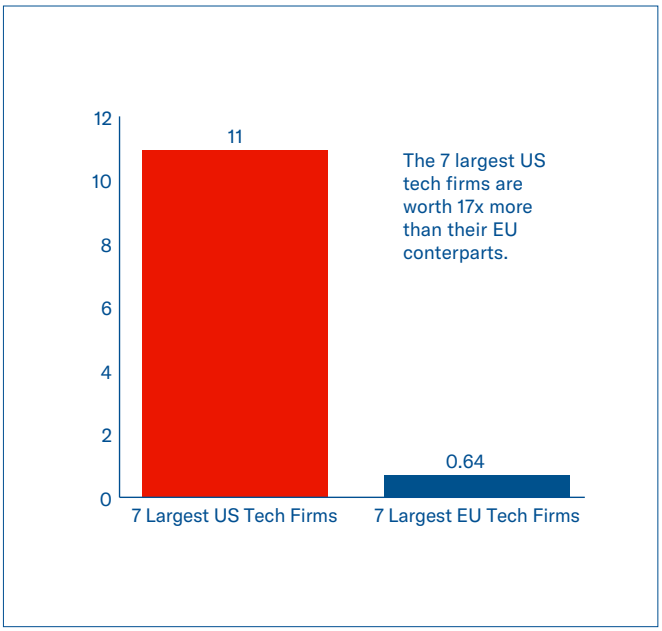
New policies like the Digital Markets Act (DMA), Digital Services Act (DSA), and AI Act ostensibly aim to encourage new market participants and increase trust in technology; in reality, they will exacerbate Europe's technology problem. These complicated regulations will stifle innovation and deter investment in the very technologies that are essential to boost EU competitiveness. Further work is needed as these measures are implemented – and certainly before additional new measures are proffered – to strike a balance between effective protections and oversight on the one hand and encouraging innovation on the other.

28 Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla, Meta

29 State of the Digital Decade (europa.eu)

Fig.9 US tech companies outperform peers

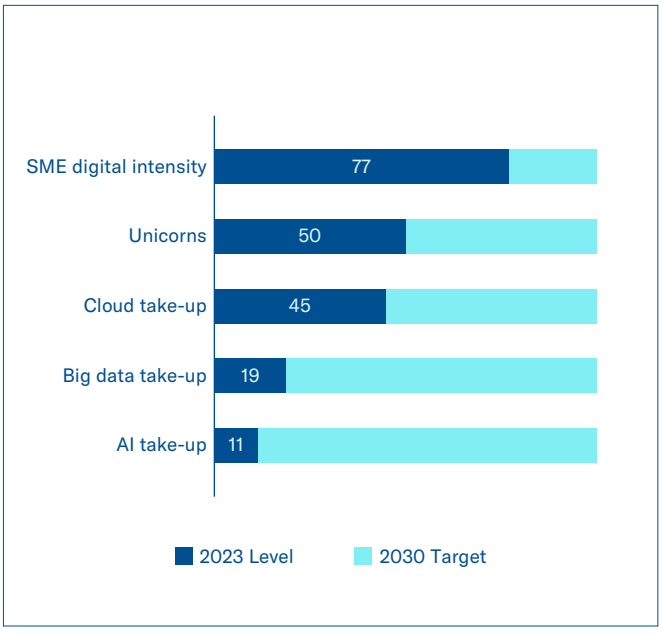
Cumulative market capitalization, in € trillion



Source: Koyfin, USCC

Fig.10 EU businesses need to focus on AI, big data

% of target achieved



Source: European Commission, USCC

5. Insufficient Investment

The decline of FDI in developed economies, excluding connector economies, was a global trend in 2023, as geopolitical and macroeconomic uncertainty dampened corporate investment appetites. Yet, it was particularly pronounced in the EU, owing to two important factors unique to the bloc.

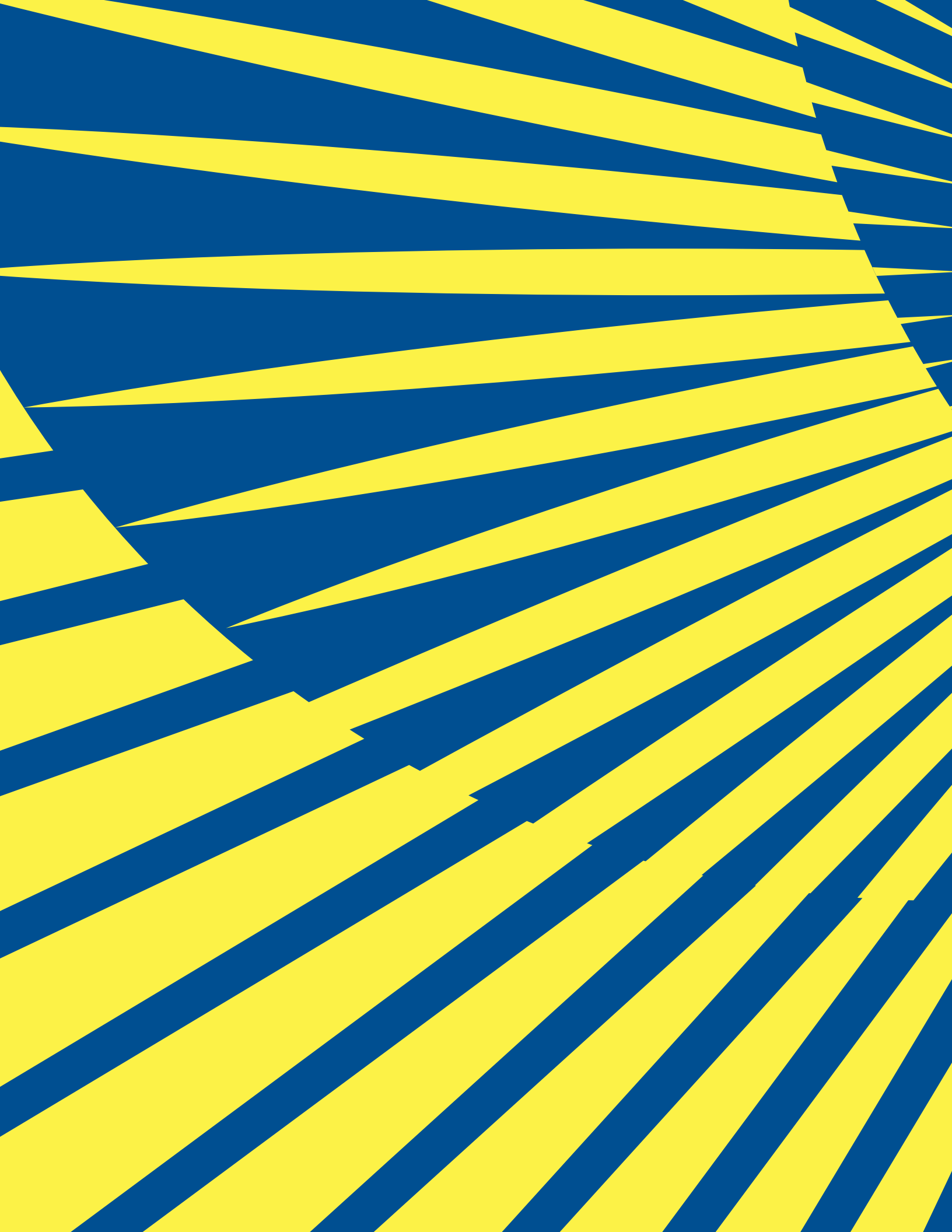
First, corporate debt and securitization markets are far less developed in Europe than in the U.S. The EU has a small IPO market and limited venture capital markets: its share in global tech IPOs was only 3% in the first 10 months of 2023. New firms in America are also 40% more likely than their European counterparts to secure an injection of venture capital within five years of founding. While 50% of global venture capital investment in Q4 2023 took place in the U.S., wider Europe accounted for only 18%. This is particularly pronounced in the tech sector, where 61% of global AI venture capital funding has gone to U.S. companies, with Chinese and EU start-ups securing 17% and 6%, respectively.[30] Although the entrance and exit of new firms is higher in the EU than in the U.S. (possibly due to the larger share of micro-enterprises in the EU), Europe continues to struggle in fostering a business environment conducive to scaling start-ups.

Second, evidence suggests that European businesses are less likely than their U.S. counterparts to invest in venture capital, innovation, and R&D – areas where the perceived risks may be greater than the expected benefits.[31] This may be partially explained by a greater degree of risk aversion in Europe, as institutional and cultural factors play an important role in the formation of individual risk-benefit perceptions associated with financial investment. Beyond these intangible factors, risk aversion in Europe may be explained by regulatory structures, lack of tax incentives for long term investment, and stringent and inflexible investment assessments from traditional providers. A downward spiral is a real risk, as the same systems that impede rapid market growth may in turn lead to higher risk aversion in corporate or venture investment.

The EU and Member States must consider how to promote a more investment-friendly environment and encourage investment into innovative and diverse industrial or technological systems. The Letta Report calls for more action with respect to the Capital Markets Union, and this is worth pursuing.

30 Coalition of 25 European associations calls for 'more love for the Single Market' - ERT

31 McKinsey & Company - Securing Europe's competitiveness: Addressing its technology gap (September 2022)



The EU's Evolving Approach Toward Industrial Competitiveness

EU policymakers want to craft a European industrial policy that restores market competitiveness while meeting the bloc's net-zero targets. It is still too soon to tell if the will be effective in promoting economic growth by creating a stable set of rules and a good climate for businesses. However, some key approaches warrant additional consideration.

1. Trade Policy and Economic Security

The growth of state-controlled economies has put pressure on the open-market policies once promoted by the U.S. and the EU. The frameworks established in the past are not as well suited to address today's challenges. The EU must carefully balance these dynamics, ensuring that its economic engagements do not compromise its strategic interests.

The EU retains the largest global network of free trade agreements (FTAs), 74, which cover 44% of all EU trade[32]. Seventy percent of EU imports face zero or reduced tariffs.[33] But relative to prior cycles, the momentum has slowed: Over the last five years, the EU has concluded FTAs with Vietnam, New Zealand, and Chile.[34] But the Mercosur deal remains undone, and negotiations with India have stalled. Brussels is negotiating with increasingly large and assertive emerging economies that have pushed back against concessions on non-tariff issues and fear that the EU's stringent environmental, labor, and regulatory practices will negatively affect their internal production. There is also growing domestic political resistance to traditional FTAs.

32 European Commission's 2023 report on the Implementation and Enforcement of EU Trade Policy

33 EU position in world trade - European Commission (europa.eu)

34 EU Trade agreements (europa.eu)

As comprehensive trade deals become less common, more flexible forms of engagement and cooperation are gaining traction, especially in the context of supply chain diversification and resilience. The EU would do well to pursue measures that increase trade facilitation and tackle other non-tariff barriers to trade.
The Commission has introduced new trade instruments intended to tackle anti-competitive practices of non-market economies such as China. Between 2023 and early 2024, the Commission launched three investigations using its Foreign Subsidies Regulation (FSR) to examine Chinese operations in the rail, solar, and wind turbines sectors and undertook its first International Procurement Instrument (IPI) investigation to pursue discriminatory practices in China's public procurement of medical devices. These measures are intended to complement traditional trade defense instruments.

The EU's trade and economic security toolkit is meant to safeguard companies against unfair practices by non-market economies. However, some instruments, including the FSR, were adopted without strict and rigorous definitions and remits, leaving ample room for the Commission or member state governments to deploy trade measures in a politicized or discriminatory manner. The U.S. and the EU should collaborate on strategies to promote sound economic security strategies that avoid discrimination against like-minded partners.

2. Industrial Strategy

Passage of the Inflation Reduction Act (IRA) in the U.S. drew howls of protest from the EU, as some policymakers falsely equated the IRA with the anti-competitive practices of state-sponsored economies. However, the IRA did prompt the EU to take a hard look at its own industrial policy agenda, resulting in the February 2023 announcement of the Green Deal Industrial Plan (GDIP).[35]
The GDIP relies on a series of regulatory incentives, namely the Net Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA), and a time-bound loosening of EU state aid rules using instruments such as the Temporary Crisis and Transition Framework (TCTF).[36] Among other things, the NZIA calls for domestic manufacturing, in aggregate, of at least 40% of eight strategic net-zero technologies by 2030. Both measures reflect the centrality of the strategic autonomy principle to the EU's industrial policy and competitiveness agenda.[37]

Complaints about the unfair advantage afforded to U.S. firms by the IRA overlook two critical facts.[38] First, EU officials say they can't match the scope of funding envisioned by the IRA. However, when the GDIP is combined with resources allocated for clean technology and energy transition through other EU instruments, the overall level of funding is comparable – if not higher – than that of the IRA. The EU is projected to invest $845 billion from 2022-2031 in renewable energy subsidies, and individual EU Member States also have leveraged significant state aid programs to boost cleantech manufacturing. Second, when it comes to EVs, EU state support per vehicle has almost matched that of the U.S.[39]
The real-world outcomes of these policies are also germane: for example, exports of European-branded EVs to the United States have soared and greatly outpace the flow in the other direction.

35 The Green Deal Industrial Plan (europa.eu)

36 Temporary Crisis and Transition Framework (europa.eu)

37 Rebooting the European Union's Net Zero Industry Act (bruegel.org)

38 The Transatlantic Economy Report 2024

39 IEA - Global EV Outlook 2023

Key elements of the IRA

Energy subsidies

- Extensions, modifications, and renewals of renewable/clean electricity Investment Tax Credits (ITCs) and Production Tax Credits (PTCs) that will benefit technologies like wind, solar, geothermal, and hydropower
- Extensions, modifications and enhancements of carbon capture tax credits, new PTCs for nuclear power for existing plants and for clean hydrogen facilities that begin construction before 2033

Consumer subsidies

- Consumer tax credits for the purchase of new EVs, plug-in hybrids, and hydrogen fuel cell vehicles
- Tax credits will be linked to significant investments in US critical mineral processing and battery manufacturing capabilities

Producer subsidies

- Renewal and extension of the Advanced Energy Project Credit for the production of fuel cells, microturbines, energy storage systems, electric grid modernization equipment, EVs, and more

Key elements of the GDIP

Energy and production subsidies

- €270bn in loans available to member states through the residual Recovery and Resilience Fund to create industrial subsidy programs
- Adapted and extended flexibilities for EU state aid rules to allow states to increase the quantum of support for defined low-carbon investments and to match support provided elsewhere that threatens to divert an investment out of the EU

Skills policy

- EU funding for Net-Zero Industrial Academies and largescale skills partnerships for onshore renewables

Trade policy

- Focus on streamlining EU supply and distribution networks and strategic cooperation with the US through the TTC

Regulation

- The GDIP and flanking workplans will assess EU regulation for opportunities to streamline industrial investment processes

Europe's weakening industrial performance isn't the result of unmatchable manufacturing incentives offered by the U.S. To the extent that U.S. industrial policy provides a comparative advantage, it is due to the ease, transparency, and predictability of funding and incentives. The patchwork of programs across the EU and its Member States, combined with slow, fragmented, and costly regulatory processes undercut the potential benefits of Europe's vast network and scale of funding.

Enrico Letta's report stresses the importance of delivering a fully integrated Single Market in order for the EU to achieve its industrial policy and economic security ambitions as it pursues the twin transitions.[40] The upcoming Draghi report also is likely to offer policy recommendations for key sectors to channel and encourage private investment.[41] To be successful, any industrial policy should focus first on how to incentivize investment and innovation – rather than relying solely on regulatory mandates that carry hefty compliance costs. It will be critical for the EU's competitiveness and cleantech ambitions that emerging opportunities remain open, transparent, and non-discriminatory. Trade, technology transfers, and cross-border investments between partner countries must be the foundation of a sustainable industrial policy.

Box 3: Reporting duplication and fragmentation

Reporting requirements have grown substantially in the last legislative term, particularly around cybersecurity and supply chain due diligence. This has also meant the creation of multiple different reporting structures and supervisory entities, as well as uncertainty about the way in which Member States will implement these new rules and the degree to which they can comfortably co-exist.

For example, the proposed Cyber Resilience Act foresees reporting lines directly by companies to ENISA, whereas the NIS2 Directive foresees these to the national cybersecurity authorities. The reporting will largely mirror each other, risking a duplication of effort. Similar concerns arise in relation to DORA or GDPR, which have sector- or situation-specific reporting needs, yet frequently address substantially the same incidents.

Similarly, while the objectives of measures to promote better transparency in companies' supply chains are commendable, they have also created an unprecedented administrative burden for firms, which translates to significant compliance costs. At the same time, these policies will be enforced by different member states' authorities, creating potential fragmentation and uncertainty.

The EU should follow the one-stop-shop approach for reporting and national implementation. Duplicating or creating parallel reporting structures increase administrative burdens and complicates reporting lines within the Single Market, increasing time to action as companies are required to interact with multiple reporting portals and requests for information. Reporting should be enabled in a format that machines can complete, which allows for the automation of reporting processes based on system-generated reports.

40 Annual Single Market and Competitiveness Report (europa.eu)

41 EU must find 'enormous amount' of money to face global challenges, Draghi says – POLITICO

3. Sustainability Agenda

Addressing climate change and promoting sustainability were the bedrock of the Von der Leyen Commission's policy agenda. As part of its 2019 European Green Deal, the Commission set out robust environmental and sustainability targets backed by extensive legislation. But the ambitious green transition plans can't decimate production and accelerate de-industrialization. During the next legislative cycle, co-legislators and member state governments will need to find an approach that balances climate and competitiveness concerns.

Despite achieving significant reductions, the Commission reports that meeting the 2030 emissions target will require an annual investment in excess of €400 billion, most of which will have to come from the private sector. Companies must now find room for those investments while navigating implementation of some 75 major Green Deal legislative files that regulate production, transport, usage, and marketing of products, while simultaneously impose onerous new reporting requirements and liabilities. This welter of obligations will translate into considerable administrative and financial burdens. The Commission's impact assessment estimates that the compliance cost on EU companies of the Corporate Sustainability Reporting Directive (CSRD) alone will be €3.6 billion to €8.8 billion over the next decade.

The Antwerp Declaration calls for greater regulatory coherence and for a "new spirit of law-making" that creates incentives, not hurdles, for investment in clean technologies.[42] Improving Europe's competitiveness demands that the EU carefully examine recently adopted measures and set realistic parameters for future action.

Box 4: Digital tools to streamline compliance

Product-labelling requirements are an important tool to ensure both consumers and enforcement authorities can access relevant product safety, quality, and sustainability information. However, divergent requirements across member states are a key challenge to Single Market integration and a significant barrier to cross-border trade. Requiring certain information to be consistently presented in text on a physical label or product impedes the free movement of goods. This is particularly true when products are prohibited from sale in a country unless they are labelled in the local language, even if customers wish to purchase them regardless.

The obligation to include information on the physical product labels or product (at the time of production) impacts customers' choices and prevents SMEs, in particular, from accessing other markets. Digital product passports (DPP) and digital labelling would significantly improve SMEs' ability to move their products across borders by facilitating updates to compliance information and accessibility across different languages.

Digital labelling, as an electronic document that is part of the DPPs, should be consistently considered in ongoing and future regulations. This consideration will ease economic operators' compliance, including SMEs, with their respective label-related obligations and remove cross-border barriers to trade.

42 The Antwerp Declaration for a European Industrial Deal (antwerp-declaration.eu)

Call to Action for the Next Policy Cycle

The European Union stands at a critical juncture. To revitalize its competitiveness and navigate the complexities of a changing global landscape, it must recalibrate its growth strategy, streamline regulatory frameworks, find ways to foster innovation, and incentivize both domestic and international investment. The Von der Leyen Commission was forced to reckon with a series of crises, with the pandemic, Russia's illegal unwarranted invasion of Ukraine, inflation, and skyrocketing energy prices chief among them. At the same time, European institutions have moved aggressively to advance their green and digital ambitions. Unfortunately, policymakers didn't sufficiently consider the implications on competitiveness of several of their actions.

The EU has always been the preferred destination for investment, innovation, and presence for U.S. firms. Decades of deepening partnership have led to the creation of quality jobs and economic growth in both Europe and the U.S. More recently, they have contributed to the green and digital transitions of our respective economies. Ultimately, the success of EU and U.S. businesses is mutually reinforcing. As partners in the transatlantic relationship and two pillars of liberal democracy in the world, the U.S. and the EU need each other to succeed: a strong European economy is a vital component of the rules-based global order.

The EU's unique position as a desirable investment destination has been built around a large and developed internal market, openness to trade and investment, a predictable political and regulatory environment, and access to skilled workforce. This value proposition is increasingly in question. External pressures have affected the EU's competitive edge, to be sure, but many of its current challenges are attributable to internal factors. The business case for investing in the EU needs to be reset and strengthened. Policymakers must focus on the fundamentals: addressing the costs of doing business, ensuring a predictable and manageable regulatory environment that encourages innovation, maximizing internal coherence in the Single Market, and pursuing closer coordination with like-minded partners. Concrete action should be built around four main pillars.

Regulation

The enormous scope and complexity of regulation diverts resources from innovation or operations towards compliance. The Commission should:

- Comprehensively review legislation adopted during this most recent mandate to assess whether scope and implementation timelines are realistic, and whether the measures in question can achieve their objectives without undermining productivity growth and competitiveness.
- Concentrate on implementation of existing regulations in partnership with industry stakeholders to ensure their effectiveness before considering new measures.
- For any proposed new regulations, appropriately assess the costs, challenges, and possible unintended consequences, weighing them carefully against anticipated upside impacts. Understanding implementation costs and challenges in addition to social, climate, and economic effects is crucial to create effective policies. An EU Regulatory Impact Board could work with the business community to assess the impacts of new legislation on market competitiveness.
- Ensure that the proposed cuts in regulatory burdens are meaningful. Reductions in administrative burdens should focus on demonstrable impact, not arbitrary targets.
- Deploy tools to support companies as they align their businesses with new requirements. This is especially important for SMEs, which may lack the capacity to manage complex regulatory burdens.
- Expand the use of regulatory sandboxes for emerging technologies. This will allow businesses an opportunity to test innovations in a controlled environment with appropriate regulatory oversight.

Single Market

The EU's greatest resource remains an incomplete project. Unlocking the Single Market's untapped potential could generate €713 billion by 2029.[43] EU policymakers should:

- Move swiftly to remove long-standing barriers within the Single Market that have been identified by business. The Commission should provide specific instructions for EU Member States to minimize fragmentation and avoid gold-plating.[44]
- Give the Commission the tools to enforce Single Market rules across the Member States and broker compromises where needed.
- Create a digital platform for companies to report on cross-border barriers. Progress on removing identified barriers should be consistently tracked in the EU's Single Market Scoreboard.

43 European Parliament - Single Market Barriers Report (May 2024)

44 ERT – Single Market Obstacles : Technical Study, p. 43

Digital Transformation

The EU needs a to promote a resilient, secure, and advanced digital economy that embraces innovation and works to deliver cross-border digital services. The EU should:

- Strive for more harmonized interpretation and enforcement of the General Data Protection Regulation (GDPR) as Member States continue to implement provisions.

- Mitigate economic impacts and foster inclusivity of trusted providers by adopting the European Cybersecurity Scheme for Cloud Services (EUCS) without sovereignty requirements, as this is pivotal to unify cloud certification standards. By concentrating on cybersecurity standards and promoting open, inclusive dialogue, the EUCS can help cultivate a secure and competitive cloud service market across the EU.

- Explore simplifying regulation that to telecommunications networks and to the provision of communication services. The focus should be on adjusting regulatory models to the realities of changed technologies and user behaviors. A proposed levy on content and application providers to finance digital infrastructure improvements could disproportionately affect U.S. firms, strain trade ties, and possibly violate WTO rules.[45]

- Revisit the Digital Markets Act (DMA), Digital Services Act (DSA), and AI Act to ensure a competitive digital environment in the EU. Targeting of U.S. tech firms is discriminatory and conflicts with Europe's trade commitments. However, the bigger problem is that the DMA does nothing to promote competition, but rather attempts to manage outcomes in the market. The DMA will never produce a competitor to the captured "gatekeepers;" instead, it declares them as "essential" and governs them in ways that will compel other companies to increasingly utilize their services. At the same time, gatekeepers are being disincentivized from innovating and further investing in their products and services. The proliferation of gatekeeper language in other regulatory measures only accelerates this problem and forced data sharing requirements clashes with GDPR and intellectual property rights, affecting legal compliance and market strategies. Varying approaches to enforcement across Member States is also a challenge.

    - Promote Competition: Rethink the DMA. If "digital markets" need regulation, the regulatory approach should promote specific conduct that is desirable and require it from all market participants. For example, if greater interoperability is desired in mobile ecosystems, identify where it is needed and regulate toward that outcome.

    - Safeguard Data and IP Rights: To ensure alignment with established data protection and intellectual property frameworks, conduct a thorough review of the DMA's data sharing requirements. This will prevent legal conflicts, uphold the integrity of the General Data Protection Regulation (GDPR), and protect the rights of all market participants to free exercise control over their data.

45 ERT – Single Market Obstacles: Technical Study

Trade and Investment

It is increasingly important to establish effective frameworks to safeguard open markets and promote trade. The EU should avoid protectionist measures that can lock policymakers into a pattern of unsustainable public spending and debt, financial support for unprofitable industries and enterprises, and disputes with trading partners. The EU should:

- Continue to pursue trade-opening measures, whether FTAs or other means to eliminate non-tariff barriers and facilitate trade in key goods or sectors.
- Take concrete steps to advance regulatory cooperation and harmonization with trusted partners.
- Work alongside like-minded partners to advance meaningful reform of the World Trade Organization and safeguard the multilateral system of trade rules and norms.

Energy Security

U.S. businesses are committed to the energy transition and to meeting net zero objectives. To sustain decarbonization that is driven by a competitive and innovative industry, the EU must be more assertive in tackling energy costs for operators and manufacturers. To deliver a secure, sustainable, and affordable energy supply while driving towards its sustainability goals, the EU should:

- Advance an Energy Union that creates a harmonized regulatory framework, tax systems, and energy market.
- Incentivize development of cross-country and cross-regional infrastructure, technology and innovation, and investment for all energy sources recognized by the EU Green Taxonomy.
- Establish transatlantic regulatory alignment that facilitates trade and coordination on clean technologies, including renewable energy, batteries and storage, grid infrastructure, hydrogen, ammonia, and carbon capture, utilization and storage.
- Work with partner governments to set standards in crucial methodologies, verification, and reporting schemes for climate and emissions data.
- Recognize regulatory equivalence of the U.S. regulatory framework for methane and emissions reporting through the Environmental Protection Agency's (EPA) Greenhouse Gas Reporting Program (GHGRP) and new EPA Methane Rule to the EU Methane Regulations in order to avoid disruptions in necessary energy supplies.
- Ensure that policies do not directly or inadvertently preclude the availability of secure and clean energy in Europe.Trade Organization and safeguard the multilateral system of trade rules and norms.

Conclusion

The policy recommendations above are mutually reinforcing: reductions in energy prices and regulatory burdens will create space for further investment in climate and digital technology; greater usage of digital tools will drive productivity and efficiency; addressing remaining barriers in the internal market will increase trade and investment and lower input and operational costs.

Effective engagement with the private sector on both sides of the Atlantic is integral to improving European competitiveness. A standing platform to facilitate substantive exchanges would be welcome.

The EU has proven its ability to pursue bold and strategic action to restructure its market and economy. Now is the time for more action. The American business community welcomes a competitive Europe, and the U.S. Chamber of Commerce and our members are committed to working with policymakers to strengthen the EU's competitiveness, promoting partnerships, growth, and prosperity.


Europese
Commissie
Commission
européenne
European
Commission
European
Commission
ec.europa.eu

U.S. Chamber of Commerce