



2024-2029

FOR A EUROPEAN RESET

Priorities of large French companies
for the **European elections and the next
mandate of the European Commission**

Detailed proposals

2024-2029: for a European reset

With 8.5 million employees worldwide, including 4.5 million in Europe, large French companies are committed to European integration. The European Union is their natural area of development, offering them a large market, a common currency in the eurozone and a high level of savings. They generate 55% of their exports and 30% of their sales within the internal market (outside France). The European Union has also facilitated their internationalisation, contributing to the opening of third-country markets, exports and investments.

The relationship between French companies and the European project is not only economic. **Companies and their Directors have a deep attachment to the values, the democratic institutions as well as the social and environmental model of the European Union, an unparalleled political construction.** They are aware that this political construction, which represents France's present and economic future, is based on the ability of Member States to free themselves from their protectionist tendencies. They are therefore opposed to any programmatic direction that would expose Europe to the risk of fragmentation. The European project must be moreover defended even more as war is on our doorstep and threatens the area of peace, solidarity and prosperity that we have created.

Large French companies are also major players in the green and digital transition,

through their transformation towards a carbon-free production model and their role in supplying green and digital technologies to the entire economy and society.

Achieving the global transition of our economy while ensuring a high level of social standards requires intensifying our competitiveness vis-à-vis our main competitors in a tense global context. However, it is now clear that we are no longer collectively able to achieve the necessary balance between European ambitions and economic dynamism.

Numerous indicators show that the European Union has reached a tipping point from which it risks falling irreversibly behind the two major geographical growth areas, Asia and North America. **Europe's foundations and assets, to which large companies are deeply attached, will no longer be sufficient levers to maintain investment projects in the EU.**

The symptoms of this disconnection are increasingly tangible. The European Union is now being penalised by large gaps in growth, productivity, and R&D with these two blocs. **Our production system is lagging in terms of automation and digitalisation. The EU's trade surplus is shrinking, and investment projects are now going primarily to Asia (54%) and North America (28%), with only 10% going to the EU.** In geopolitical and geo-economic terms, the influence of the 27 is under threat.

This competitiveness gap is partly caused by external shocks, such as health or geopolitical crises (logistical tensions, the Russo-Ukrainian war, raising energy prices) or the aggressive policies of our main economic competitors (competitive distortions, perpetuation of strategic dependencies), **but it is also largely due to our internal shortcomings**.

Businesses operate in an increasingly less integrated internal market, fail to raise sufficient capital from European sources and are faced with an ever-tightening regulatory straitjacket and an accumulation of constraints since 2019.

The deluge of new reporting and compliance obligations (CSRD, CS3D, etc.), while not taking into account the functioning of companies, creates additional administrative burdens and exposes the activities of companies - in Europe and around the world - to greater complexity, slowness and legal uncertainty, without any economic, environmental or civic gain. These obligations can even prove counterproductive by slowing down the transformations in which they are already engaged. **The European Union, in its desire to assert its values beyond its territory, risks losing sight of the interests of its own companies and citizens**. Furthermore, it exposes itself to criticism of the extraterritorial nature of its legislation.

The key pieces of the *Green Deal* legislative package (review of the ETS directive, CBAM Regulation, ban on internal combustion engines) have set very demanding timetables

for the reduction of greenhouse gas emissions and standards for technological transformation, **without linking them to the funding that would have enabled the quick emergence of necessary technologies, whereas our competitors have acquired them through incentive measures**.

The priority given in Europe to standards and the excess of consumer protection has long penalised our industries when it comes to becoming global and benefiting from economies of scale. Today, it threatens to **put the EU in the position of being a net user of green and digital technologies developed and supplied by companies in these other two geographical areas**. These technologies have also been partly financed by our savings, at the expense of European operators.

It is time to react.

This is why AFEP takes part in the debates leading up to the European elections and the appointment of the new European Commission by putting forward concrete proposals.

This decisive election must be an opportunity to raise awareness that the EU is falling behind, and above all the **need for a radical shift in European policies to impulse a competitive reset of the EU** during the next mandate – and from its first year- **to regain its status of a leading economic power**.

Only then will the EU be able to **reduce its dependencies** and **succeed in its green and digital transitions**, which will be rich in jobs and factors of growth and social progress.

Our priorities and 9 urgent measures to be adopted during the first year of office

A domestic reset: increase the EU's internal competitiveness

Through better financing of the economy and innovation, investment facilitation, a more coherent industrial strategy, particularly in terms of competition policy, greater integration of the internal market and the easing of constraints on businesses.

- Strengthen investment capacities in transition activities and innovation through a better channelling of European private savings
- Immediately launch a legislative initiative toward the simplification of compliance and reporting obligations pending on EU businesses, focusing on improved competitiveness

An external reset: strengthen the EU's external position

Through an offensive trade policy in synergy with the industrial strategy, more assertive economic diplomacy as well as greater resilience in the face of external shocks and aggressive policies of our partners (level-playing requirements, fight against coercion and defence policy strengthening).

- Conclude trade agreements and industrial partnerships aimed at securing critical value chains and new markets in third countries with a satisfactory degree of level-playing field
- Rapidly reshape our trade relations with China and, if necessary, the United States

A reset within the twin (green and digital) transition

Prioritise the supply of affordable decarbonised energy and the roll-out of green and digital industries as well as put in place a competitiveness framework specific to the twin transition (adequate funding channels, skills, investment and innovation boost).

- Roll out a massive infrastructure construction scheme (electricity production, distribution and storage, hydrogen, CCS, 6G)
- Adapt the main legal texts of the Green Deal to ensure the scaling up of European supply and leverage public procurement contracts to this end (through sustainability and resilience criteria)
- Attract worldwide young talents for careers in the economy of the future by strengthening the attractiveness of high-growth sectors and maintaining an international openness for workforce

An institutional reset

Make the European institutions, policies and adoption processes fit for the enlargement of the EU by 2030, in order to maintain our regulatory agility vis-à-vis other geographical areas.

- Facilitate the use of legal experiments
- Drastically simplify and speed up procedures for granting public aids

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A domestic reset

Increase the EU's internal competitiveness

1. Let's lay the financial and economic foundations for internal competitiveness

- □ Improving the financing of the economy and the framework for direct investment within the internal market

Difficulties encountered during the previous mandate

- The EU is still lagging behind the US in financing the economy.
- Progress in unifying capital markets has been too slow, despite certain advances such as the Listing Act.
- With the dismantling of bilateral investment treaties between Member States, there is no longer a compulsory arbitration solution for disputes between investors from another Member State and the host Member State. Disputes must be brought before national courts, with great disparity depending on the level of efficiency and impartiality of the local judicial system. This situation does not encourage cross-border investment.

Proposals

- The EU should relaunch the capital markets union and the banking union under the next mandate, including if necessary through enhanced cooperation to overcome existing obstacles.
- Savings should be redirected towards equity financing for businesses to help finance the energy and digital transition.
- In particular, the EU should develop its securitisation market by reducing the prudential requirements applicable to banks for senior securitisation tranches, allow these senior tranches to be taken into account in the calculation of the liquidity ratio (LCR) and amend the European Regulation governing STS securitisation (simple, transparent and standardised) by simplifying it.
- The securitisation market also needs to be secured by a European guarantee mechanism, which could ultimately be based on the EIB.
- The EU needs to adopt a European framework to encourage the development of employee shareholding, which could involve mechanisms for mutual recognition and harmonisation of the rules deemed essential (discount, matching contribution or release cases).
- The notion of competitiveness must be introduced into the mandate of the European supervisory authorities (EBA, EIOPA, ESMA).
- Channelling funds for growth also means combating late payment without penalising companies' cash flow, in particular by rejecting a maximum payment period of 30 days.
- A European court specialised in investor-state disputes should be set up or, failing that, a new chamber should be created within the CJEU. In parallel, a Regulation on the protection of European investors' rights within the internal market should be adopted.

A domestic reset

□ ■ A revamped industrial strategy better coordinated with other internal EU policies

Difficulties encountered during the previous mandate

- The EU industrial strategy has been broadly updated since 2019, with the emergence of industrial ecosystems in place of value chains and a policy of sectoral (Chips Act, CRMA, NZIA) or horizontal (SMEI) legislation focused on production.
- These developments are a step in the right direction but they are still insufficient: ecosystems do not necessarily include all value chains and, above all, the synergy between industrial policy and other internal policies has not been achieved. The views of companies are still not sufficiently taken into account in the governance of industrial policy.
- Competition policy has not yet sufficiently factored in the unfair competition between EU companies with giants from third countries, or the objective of resilience through increased production within the EU.
- The objective of a continent-wide circular economy is still hampered by regulatory obstacles (e.g., waste recycling within the EU remains complex due to inconsistencies between legislation on end-of-waste status).

Proposals

- The Commission must improve the operating framework for industrial alliances and cooperation between individual companies to encourage the roll-out of better-integrated value chains, at least within the EU.
- Consultative bodies on industrial strategy and governance bodies for industrial legislation or legislation impacting on industry (e.g. CBAM) should better include representatives of trade associations and individual industries present in several Member States.
- The various tools of competition policy (definition of the relevant market, etc.) must be implemented by the Commission and the national competition authorities in line with the new objectives of resilience and strategic autonomy in the industrial sector, in particular by allowing cross-border mergers or acquisitions designed to compete with third countries' players or by granting the necessary flexibility in terms of state aid.
- The review of the various sectoral pieces of legislation on circularity (eco-design, waste) must be pursued consistently with the industrial sectoral legislation (Chips Act, CRMA and NZIA) to simultaneously maximise the EU's strategic resilience in terms of inputs, promote the EU industrial integration and reduce the environmental footprint of these sectors.

A domestic reset

2. Let's unleash business potential by revitalising the internal market and removing regulatory obstacles

■ □ □ Revitalising the internal market and improving Member States' competitiveness policy

Difficulties encountered during the previous mandate

- Against the internal market's achievements, Member States have continuously erected new regulatory and administrative barriers to the movement of goods and services.
- Even in relatively harmonised areas such as personal data protection, national regulators retain domestic regulatory competencies that can contribute to market fragmentation.
- Member States are increasing tax frictions at the expense of individual businesses : the elimination of withholding taxes on intra-EU flows is no longer effective, and transfer pricing adjustments are on the rise. The outcome is a double taxation of companies within the Union.
- The economies of the 27 Member States continue to diverge, because of insufficiently coordinated structural and budgetary policies, despite the European Semester.

Proposals

- New initiatives to harmonise and/or mutually recognise technical regulations and administrative procedures are needed.
- The Commission should also relaunch infringement procedures against barriers to the movement of goods and services, in particular by appointing a "chief enforcement officer" seeking inspiration in the position created within DG Trade.
- Member States should carry out an overall review of European legislation to identify the areas in which the competencies of national regulators can be reduced to implementing measures or, if their normative powers are maintained, an effective appeal mechanism would reduce competitive distortions.
- Member States should observe a moratorium on the adoption of new regulations when proposals for European legislation in the same areas are scheduled or in the process of being adopted and focus ex-post on the transposition of these measures.
- Withholding taxes applied to intra-European flows under domestic law should be eliminated. If this is not achievable, the EU should adopt a simple and effective upstream exemption procedure, going beyond the provisions of the proposed FASTER Directive.
- The Commission should also propose the harmonisation of the corporate tax base, based on the one already defined under the Pillar 2 Directive (Directive 2022/2523 of 14 December 2022), and the possibility of consolidating profits generated in different EU countries.
- Risks of double taxation on transfer pricing must be eliminated either by imposing a single market price methodology or by strengthening the dispute settlement procedure between Member States.
- The European Semester procedures should be strengthened by including a peer review and conclusions from the Competitiveness Council on individual Member States' progress in implementing specific recommendations on structural reforms and macroeconomic convergence.

A domestic reset

▣ ■ ▣ Preserving companies' autonomy

Difficulties encountered during the previous mandate

A growing number of European laws and initiatives are tending to encroach on companies' autonomy, particularly in terms of governance, production or investment strategy. For example:

- Intervention by the legislator in technological choices and technical specifications or the individual climate strategy of companies (cf. climate transition plans under the CS3D),
- Regulations being too prescriptive and/or too detailed, disregarding principles of subsidiarity and proportionality,
- Interference in relations between companies and their Boards of Directors (CRMA),
- Insufficient consideration of the group of companies in favour of legal entities (CS3D, whistleblower directive),
- Proposal to monitor EU companies' investment in third countries ("outbound investment"), with the sharing of potentially strategic information.

Proposals

- The Commission and the European legislator should rely more on European social dialogue to set labour or social security standards, capitalising on the Val Duchesse Declaration of 24 January 2024 adopted under the Belgian Presidency.
- The Commission should make greater use of soft law instruments such as guidelines or recommendations for Member States or companies rather than proposing legally binding standards.
- European legislation should recognise and draw the legal consequences from the essential role of parent companies in defining the strategy of legal entities belonging to the same group.
- Sectoral legislation in the EU, particularly in terms of the green or digital transition, must observe a principle of technological neutrality, both to preserve the autonomy of industrial choice for businesses and to take account of the speed and uncertainties associated with technological progress.

A domestic reset

□ □ ■ Reducing administrative burdens

Difficulties encountered during the previous mandate

During the last mandate, companies were faced with a significant increase in the administrative burdens imposed on them as a result of European standards, particularly in the area of reporting, e.g. :

- SFDR Regulation and taxonomy Regulation in the field of sustainable finance,
- CSRD and CS3D Directives in the field of CSR,
- Revision of the ETS Directive and the CBAM Regulation in the field of climate change policy,
- IED Directive in the field of environmental policy,
- Proposals for FASTER, Unshell and BEFIT directives in the field of taxation,
- AI Regulation, in the field of digital policy: Cyber Resilience Regulation in the field of digital policy,
- Regulation on Foreign subsidies in the field of competition policy etc...

Proposals

- When carrying out impact assessments, the Commission should analyse direct and indirect obligations likely to be imposed on companies as a result of proposals being drafted and minimise them ab initio.
- The Commission and the European legislator should first establish requirements imposed on the real economy before deducting those imposed on the financial sector, particularly in terms of sustainable finance, to avoid inconsistencies between the two levels of legislation and the resulting additional administrative burden.
- The Commission and the European legislator should seek convergence with international standards where they already exist, in particular, to avoid the simultaneous implementation of multiple reporting standards. In areas where international standards do not yet exist, efforts should focus on the EU's ability to influence the content of international standards in the making rather than systematically adopting unilateral standards (cf. external reset).
- The Commission should increase the target for reducing reporting burdens beyond -25% and ensure that this reduction is implemented before the first half of the mandate: re-examination of the stock of legislation in the light of a "competitiveness check", evaluation of cross-effects, elimination of unnecessary declarations and duplication.
- Better coordination between European institutions and authorities (ECB, EBA, EIOPA) is needed to avoid a proliferation of information requirements.

An external reset

Strengthen the EU's external position and resilience in the face of third countries

3. Let's make the EU a central player in the new international economic order

■ □ □ A trade policy in synergy with the EU's industrial and geopolitical strategy

Difficulties encountered during the previous mandate

- Trade policy has long been focused on increasing EU exports without being coordinated with the EU's internal or external industrial policy.
- Securing supplies, particularly of critical raw materials, requires purchases from third countries and heavy investments in resource-rich countries, and such purchases or investments may be jeopardised by policies of export control, nationalisation or discrimination against foreign investments/investors.
- The implementation of the value chain diversification strategy may come up against an insufficient liberalisation of trade flows with countries likely to offer an alternative to China (e.g. India or ASEAN countries).
- Businesses still face numerous tariff and non-tariff barriers in foreign markets (Mercosur countries, India, Indonesia, etc.).
- Geopolitical tensions are likely to alienate third countries that should be otherwise allies and trading partners.
- The confrontation between the United States and China and our industrial strategy objectives may expose companies to trade retaliation measures.

Proposals

- Better integration of the EU's trade policy and industrial strategy should be pursued, in particular by (i) securing access to essential inputs through tariff reductions and commitments against export controls by extending the model of the "energy and raw materials" chapters of certain free trade agreements (ii) emphasising complementarity with the industrial partnerships and "critical raw materials" of the industrial policy and (iii) aiming for consistence between trade defence measures and the directions of this industrial strategy.
- As a complement to trade agreements, the EU should relaunch the negotiation of investment agreements including rules on market access and investment protection to secure the EU's industrial interests in third countries, in particular equity investments in key projects in strategic value chains.
- Trade policy should aim to conclude trade agreements that open up emerging markets and guarantee the diversification of suppliers for EU companies.
- In addition to merely economic criteria, Member States should take account of the geopolitical dimension of trade agreements, in particular, to counterbalance the influence of powers in systemic rivalry in Asia, Africa and Latin America, notably in connection with the creation of global infrastructure networks (see below).
- The EU should better manage its trade relations with China and, where appropriate, with the United States, by ranking its economic and geostrategic priorities, in particular by asserting its strategic industrial interests without generating disproportionate trade tensions.

An external reset

■ Giving priority to global physical and digital infrastructure networks

Difficulties encountered during the previous mandate

- The EU and other G7 countries (United States, Japan) have finally reacted to the development of China's New Silk Roads, but as far as the EU is concerned, the Global Gateways projects are too scattered and still insufficiently focused on physical and digital infrastructures or access to raw materials.
- Furthermore, these projects do not currently ensure systematic access for EU companies to construction work or infrastructure once it has been completed.

Proposals

- The Global Gateways policy should be better distinguished from development aid by focusing on the international needs of the European economy (physical and digital infrastructures, critical raw materials) and by prioritising a smaller number of projects.
- To counterbalance the de jure or de facto monopoly that China's New Silk Roads grant to Chinese companies in the construction, operation and use of projects, the EU should negotiate clauses with beneficiary countries guaranteeing fair if not priority treatment for EU companies in call for tenders and a permanent right of access to the infrastructure concerned.

■ Rolling out a more assertive European diplomacy on global and technical issues

Difficulties encountered during the previous mandate

- The EU has the critical mass to influence the adoption of certain strategic international technical standards but does not yet wield a sufficient clout in private (ISO) or public standardisation bodies. The United States and China, on the other hand, are very active.
- European companies are increasingly confronted with protectionist tax practices by third countries (circumvention of tax treaties, unilateral suspension, claim for an increasing share of the profits of European companies at the expense of tax revenues collected by European countries).
- EU legislation affecting third countries is sometimes misunderstood and/or causes tensions with them.

Proposals

- The EU should strengthen its negotiating position within international negotiating bodies in the financial, economic, environmental and technical fields (e.g. use of the TADEUS network for cooperation between national administrations and the Commission to defend a common position against third countries).
- The EU should continue to support its unilateral legislation (GDPR, CBAM) with a policy of engagement toward our main partners.

4. Let's combat unfair practices by certain third countries and external security threats

- □ Restoring an economic, environmental, social and sanitary level playing field

Difficulties encountered during the previous mandate

- Major economies with which the EU is competing are increasingly resorting to distortive measures (subsidies, dumping, environmental, climate and social dumping, regulatory barriers, etc.).
- Companies are exposed to a significant risk of technology leakage, due in part to shortcomings or infringements of intellectual property rights (excessive compulsory licensing or ad hoc transfer regimes, loopholes in trade secret rules that are too difficult to implement).

Proposals

- The EU should continue to promote level-playing field rules at the WTO and in EU trade agreements (rules on industrial and services subsidies, "trade and sustainable development" chapters, sanitary rules) without hampering the conclusion of agreements necessary for the EU's industrial policy or its strategic interests (see above).
- Traditional unilateral instruments for restoring a level-playing field (trade defence) or new tools recently adopted by the EU (Foreign Subsidies Regulation, Access to Third Countries Procurement Regulation, CBAM) should be implemented with a view to gaining negotiating leverage without creating excessive trade tensions.
- Tools for protecting intellectual property within the EU and internationally (TRIPS agreements and intellectual property chapters in free trade agreements) should be strengthened: e.g. making it easier to use trade secrets by revising the directive on trade secrets and the relevant sectoral legislation (digital, industrial strategy) and including ad hoc provisions in trade agreements.

An external reset

□ ■ Guaranteeing economic security and resilience

Difficulties encountered during the previous mandate

Current geopolitical tensions:

- expose companies to new economic security risks, such as economic coercion, extraterritorial sanctions (including by allied countries), cyber risks and foreign takeovers of strategic assets.
- can call into question existing partnerships, seriously disrupting trade with the countries concerned.

Proposals

- The EU should strengthen certain economic security tools (revision of the regulation on the filtering of inward foreign investment and the 1996 blocking statute to deal with extraterritorial measures not covered by the anti-coercion regulation).
- The Commission also needs to selectively implement some of existing instruments, such as the new anti-coercion regulation, to ensure their credibility without creating excessive trade tensions.
- The EU's sanctions policy needs a more integrated approach, with harmonisation of enforcement measures by Member States, notably through new Council guidelines and a supervisory body at European level.
- The EU should design a strategic doctrine for resilience in the event of a deterioration in existing alliances (e.g. in the event of a more confrontational US trade and economic policy and a halt to bilateral cooperation within the Trade and Technology Council).

A reset in the twin transition

Prioritise the supply of affordable decarbonised energy and the roll-out of green and digital industries

5. Let's prioritise the roll-out of green and digital technologies over a strictly regulatory approach

■ □ □ Setting up infrastructures for the green and digital economy

Difficulties encountered during the previous mandate

- The competitiveness of European industry has suffered greatly from the rise in energy prices since the start of Russia's aggression against Ukraine, which remains an essential factor in coping with competition from third countries.
- The overall decarbonisation of the economy will be difficult without a full range of hydrogen and carbon transport infrastructures.
- The decarbonisation of mobility is limited by inadequate rail services and still limited investment in the development of alternative air fuels and electric charging infrastructures.
- Competition in the field of new technologies and modernisation of industrial sites (digitisation and automotion) require massive investments in the latest generation of telecommunications infrastructures (particularly for the roll-out of artificial intelligence and the Internet of Things).

Proposals

- The EU should adopt a regulatory framework and support investment to make decarbonised energy available at affordable cost (energy market rules and roll-out of nuclear, renewable energy and carbon transport infrastructures).
- The EU should mobilise more funds dedicated to R&D and the roll-out of sustainable transport and 6G infrastructures.

A reset in the twin transition

□ ■ □ Giving priority to boosting green industries

Difficulties encountered during the previous mandate

- The Green Deal has imposed on companies the implementation of numerous regulations which will require considerable adaptation work and technological transformations over the next five to ten years,
- The Green Deal has also set standards to be achieved, specific technologies and the timetable for compliance, before checking whether European companies could develop and supply those technologies in a competitive way in time.
- On the other hand, major countries with which we are competing do not hesitate to finance a wide range of green technologies from the outset, before or without imposing climate standards (e.g. Inflation Reduction Act in the United

Proposals

- The aim should be to stabilise the regulatory framework over the next five years to enable businesses to absorb the legislation adopted between 2019 and 2024.
- Amendments to be made to the various piece of legislation of the Green Deal and the Industrial Green Deal based on existing review clauses should therefore focus on competitiveness issues (for example, by taking account of the "export" dimension in the CBAM Regulation and on restoring technological neutrality.
- In addition, the legislators and the Commission in its implementing measures (delegated acts, implementing acts) should provide for a more gradual implementation of regulatory constraints to allow a ramp-up of supply from European manufacturers, in particular by realistically readjusting the production targets under the CRMA or NZIA and the dates of entry into force of several legal requirements (dismantling of free ETS allowances and acquisition of CBAM certificates, for example).
- The "supply test" to be applied when revising regulatory constraints should also include the existence of adequate financing methods.

A reset in the twin transition

□ □ ■ Developing digital technologies in the EU, boosting trade and reducing digital dependency

Difficulties encountered during the previous mandate

- The EU is clearly lagging when it comes to artificial intelligence and quantum computing.
- The requirement for digital autonomy or protection of personal data is key but can lead to disproportionate restrictions on cross-border data flows necessary for the international development of businesses and inconsistent measures with the risk-based approach initially adopted.
- The growth of digital industries and digital trade is also hampered by insufficient convergence of standards and the absence of international interoperability rules.

Proposals

- The EU's regulatory framework should first and foremost encourage innovation in the digital sector, in particular by introducing new legislation only when market failures or proven risks for consumers are precisely identified.
- The EU should encourage the establishment of a European data storage supply that can guarantee the storage of sensitive and critical data on European territory, particularly in the event of heightened geopolitical tensions. This supply strategy should not, however, come along with requirements to localise data within the EU when they do not belong to this critical perimeter.
- The EU-27 should continue to develop tools to authorise data flows between the EU and third countries to enable the provision of cross-border digital services such as payment services or technologies that support sustainable development, giving priority to countries with which trade relations are most intense. The Commission must therefore continue to negotiate the bilateral frameworks that form the basis of adequacy decisions for the transfer of personal data to third countries, as well as the provisions on data flows in the "digital trade" chapters of trade agreements in their new version.
- In addition, the EU should continue to work towards international standardisation in the field of emerging technologies and rules to facilitate international digital trade (digital identity, electronic invoices, electronic payment, etc.).

A reset in the twin transition

6. Let's create an environment conducive to the twin transition

■ □ □ Better financing for the twin transition

Difficulties encountered during the previous mandate

- The framework for financing the twin transition is hampered both by insufficient funding and by the still inadequate specific instruments to direct investments such as the taxonomy.
- The European platform on sustainable finance has so far carried out its work without taking sufficient account of stakeholder contributions.

Proposals

- The Regulation defining the framework of the European taxonomy needs to be amended to take better account of the transition (in particular to improve the definition of transitioning and enabling activities).
- Companies should be more closely involved in the work of the European platform on sustainable finance.
- The existing taxonomy needs to be rapidly adapted to take account of the entire green industry value chain, including the provision of critical inputs.
- The EU also needs to improve the implementation of the taxonomy and its technical criteria, in particular modalities for enforcing the "Do Not Significant Harm" (DNSH) principle.
- The materiality principle should be introduced into the regulation on sustainability reporting in the financial services sector (SFDR) and the indicators required by SFDR should be aligned with European non-financial reporting standards.

A reset in the twin transition

□ ■ □ Upskilling the labour force and dynamising labour markets

Difficulties encountered during the previous mandate

- The rapid roll-out of green and digital technologies is hampered by insufficient skills in these new technologies.
- Staff mobility within the single market for skilled workers in new technologies is also insufficient, in particular, because of the limited number of mutual recognition arrangements.
- With their current demographic trends, the EU-27 are facing a reduction in the number and diversity of skilled workers on their labour markets.

Proposals

- The EU should continue to identify reference frameworks for skills in green and digital technologies (as already initiated under the NZIA), launch work on the mutual recognition of qualifications and set up mobility schemes for trainees (e.g. Erasmus apprentices, etc.).
- European policies should contribute to attracting diversified profiles required by high-growth sectors (e.g. by negotiating rules on international secondment and staff mobility under the "services" commitments of the EU free trade agreements).

□ □ ■ Developing innovation ecosystems

Difficulties encountered during the previous mandate

- The scope for legal experimentations is still limited, and European law tends to favour the precautionary principle over disruptive innovation (e.g. AI regulation).
- The EU and its member states have fallen behind the US in public spending on R&D by around 30%, and the gap is widening.

Proposals

- Technological initiatives should be encouraged, particularly in the context of much broader "regulatory sandboxes" than for the AI regulation.
- The EU needs to mobilise more European funding for R&D activities, particularly in the pre-commercialisation phase.
- The Commission should provide further clarification on the possibilities given to public purchasers to award R&D contracts based on the public procurement directives.

An institutional reset

Make the European institutions, policies and adoption processes fit for the enlargement of the EU

7. Let's make the European institutions, policies and financial framework fit for the new challenges ahead

- □ Reforming the institutions and their decision-making procedures for a more efficient European Union before and after the enlargement

Difficulties encountered during the previous mandate

Hurdles encountered in the current interinstitutional discussions

- The unprecedented increase in the number of legislative texts under negotiation has shown the limits of the current decision-making process and has led to a number of shortcomings : discussions have been shortened, procedures have become too complex to absorb the number of texts, and there is a lack of transparency.
- In the European Parliament, conflicts of competence between parliamentary committees over the allocation of texts have lengthened, particularly on cross-cutting proposals (digital, CSR, etc.), reducing the time available for substantive legislative debate. Working in a hurry has undermined the quality of parliamentary work, by limiting opportunities for exchange and focusing debates mainly between rapporteurs and shadow rapporteurs.
- In the Council, hastily conducted negotiations, under which Member States did not have sufficient time to analyse in depth the complexity of the provisions under discussion, have led to the adoption of general approaches sometimes lacking support at technical level.
- During the trilogues, the lack of time for intermediate consultations and the finalisation of political agreements at technical meetings, after announcements and communication to the public, sometimes led to final drafting unknown to co-legislators and stakeholders.
- All these factors have contributed to an unprecedented situation: a record number of trilogue agreements have been called into question, hence undermining the credibility of the legislative process.

Questions raised by the enlargement process

- The mechanical application of the rule of one Commissioner per Member State in the enlarged EU and one vote per Commissioner risks leading to a fragmentation of portfolios and directorates-general and/or to an overly complex architecture of the future College, at the expense of the consistency of public policies.
- The functioning of the many regulatory agencies and committees (ESMA, EBA, EDPB, etc.), which is still governed by the principle of one vote per Member State, risks being hampered.

Proposals

Immediate reforms

- The procedure for allocating texts to the relevant parliamentary committees needs to be further rationalised, to avoid an excessive number of competent committees, and set within a predefined timeframe.
- Rotating Presidencies of the Council of the European Union and the Council services should guarantee Member States reasonable deadlines for consultation.
- Trilogues must be more transparent, for example by allowing public access to information on the list of participants, timetables and agendas of political and technical trilogues, and by guaranteeing sufficient time for consultation between meetings.
- Trilogues should only be concluded once the political and technical negotiations have been definitively wrapped up: the many recent examples of key points being finalised at technical level after the last political exchanges should not be repeated.

Reforms to successfully handle the enlargement

- The setting of the Commission's College and directorates needs to be simplified and rationalised, in particular, to deal more effectively with cross-cutting policies.
- The rules of governance of the agencies or committees implementing legislative texts should be adapted to a Europe of 30 or 35 and brought into line with the qualified majority vote rules in the Council.

An institutional reset

- ■ Adapting European policies and public finances to competitiveness priorities and the economic impact of the enlargement

Difficulties encountered during the previous mandate

- Enlargement may call into question the balance of the EU's distributive and investment policies (CAP, structural Funds) at the expense of Member States that are already net contributors.
- The EU's regular budget (MFF) still makes little contribution to competitiveness spending, which remains below 10% (R&D 6.5%, future investments 2.6%, defence 0.2%, space 0.8%), even though the Next Generation EU programme has made a certain shift in favour of the ecological and digital transition.
- If this budgetary structure remains unchanged at the time of enlargement, most of the expenditure will be directed towards the new Member States without financing the new priorities throughout the EU.

Proposals

- Sectoral policies likely to be most affected by enlargement should be reformatted beforehand. Failing this, new Member States should be granted a gradual access to EU funds to minimise the impact on economic operators in other Member States.
- The structure of the European budget under the 2028-2034 multiannual financial framework will need to be rebalanced to ensure that funding is adapted to an enlarged Union and takes sufficient account of spending priorities for competitiveness and the future, such as R&D, physical and digital infrastructure, defence and space.

8. Let's adopt coherent and effective regulations and aid mechanisms

■ □ Improving the transparency, consistency, and effectiveness of European regulations

Difficulties encountered during the previous mandate

- During the last parliamentary mandate, the Commission continued to adopt proposals with contradictory, if not difficult to reconcile, objectives, such as the strengthening of reporting obligations that run counter to European competitiveness or increasing due diligence duties and securing supply chains.
- Preparatory work on the legislation and simultaneous negotiations in silos have been criticised for having generated inconsistencies and/or redundancies between pieces of legislation, one example being the notions of climate transition plans or sustainable investment that differ from one text to another.
- European standards, particularly at the level of delegated or implementing acts, have also become increasingly complex to apply, for example regarding the sustainable finance package and certain elements of the taxonomy.
- The outcome of discussions on complex legislative packages such as the Green Deal has not been subject to an ex-post impact assessment, while most of the parameters that ensured the initial consistency have been modified.
- Trilogue discussions, particularly in the final stages of inter-institutional negotiations, lack transparency for stakeholders.

Proposals

- The Commission should ensure greater consistency upstream of legislative proposals, in particular by strengthening the role of the Secretariat General/Commission Presidency in synthesising, coordinating and, above all, arbitrating.
- Policies would have to be designed in a consistent sequencing, starting with organisations that ultimately bear the burden (e.g. the "preparers" in the context of sustainable finance) to avoid ex-post modifications to adopted frameworks, which generate additional costs for impacted stakeholders.
- Impact assessment procedures should include competitiveness tests both at the EU economy level as a whole and at the level of individual businesses, covering also indirect obligations arising from certain provisions (e.g. reporting obligations on the Commission or the Member States which ultimately fall on economic operators).
- The making of legislative proposals should be streamlined, by involving all the Commission Directorates-General concerned in a "project mode" from the moment impact studies are initiated. A joint work between "co-DGs" must be carried out, going beyond the ordinary interservice consultation currently in force.
- At the end of the legislative discussions and before legislation is formally adopted, the three institutions must check the impact of the compromises reached and in particular the final internal consistency of legislative packages.
- The Council and Parliament must improve the procedures for consulting and informing stakeholders throughout the legislative process, and in particular during the trilogue phase (throughout longer deadlines, for example).

An institutional reset

- ■ Simplifying procedures for accessing European subsidies or derogation mechanisms for State aid

Difficulties encountered during the previous mandate

- European funds are helping to develop the innovative projects needed for this twin transition, through programmes such as InvestEU and the Innovation Fund. However, the procedures for accessing this European aid mechanism are currently too complex and time consuming, making it impossible for the European Union to compete with other geographical areas that benefit from simpler and faster tools, such as the IRA tax credits in the United States.
- Most of the time, being granted European subsidies is conditional on participating in a call for projects or applications, which is a complex and lengthy process for companies.
- Meanwhile, access to derogations under State aid control regulations remains very restricted, administratively cumbersome and still subject to excessively long processing times (e.g. IPCEI).

Proposals

- The European legislator and the Commission should speed up their efforts to simplify, rationalise and reduce the administrative burden and the time spent granting European aid with a view to being in line with the efficiency and speed of the aid systems rolled out in third countries.
- The implementation of existing derogation for the approval of State aid, especially when they relate to priorities under the EU's industrial strategy, should also be facilitated and accelerated for user companies.
- Administrative burdens associated with IPCEIs need to be alleviated at the notification stage, for example by simplifying the requirements for counterfactual scenarios.
- The Commission should ensure a proportionate and rapid examination of State aid cases that do not raise competition concerns.

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