

Newsletter

July 2023

A winning green transition



Sweden's Presidency of the Council of the European Union has just come to an end. It has succeeded in putting business and EU competitiveness at the top of the political agenda. A new long-term competitiveness agenda has been launched, together with a number of individual proposals for improving the EU's global position. This has been an encouraging presidency, where we as employers have found a reliable partner.

We must now ensure that this focus is not lost, because the lack of competitiveness is real. Europe's share of the global economy has been declining for a long time. In 1990, the EU accounted for around 25% of the world's GDP. The corresponding figure for 2020 was 15% and by 2050 it is expected to be less than 10%.

There is an urgent need to regain ground. The green transition gives us this opportunity. How successful it is, however, ultimately depends on how well our economy works.

Competitiveness is based on companies' ability to succeed in a global market in a profitable way. Europe's future economic growth outlook will increasingly depend on its ability to increase productivity. This requires a well-balanced policy to support innovation, increase skills, reduce rigidity in the labour market and allow for a better allocation of resources.

As employers we believe that this calls for policy action in three particular areas.

First of all: regulation and taxation must become more business-friendly. We do not need more burdens or bureaucracy. Thousands of pages of regulations have been inflicted on businesses over the past few years. We need policies that promote entrepreneurship and encourage companies to innovate, invest and trade. All EU policies must be guided by the need for regulatory improvement, reducing the regulatory burden of businesses and fully implementing the "one in one out" principle. We welcome the fact that the European Commission has started to apply a "competitiveness check", which we employers had proposed to the Commission during the Conference on the Future of Europe.

Secondly: the single market is the EU's main success factor and underpins the free movement of people, goods, services and capital. A well-functioning single market, with free movement and a level playing field for companies, is a prerequisite for Europe's global competitiveness and thus for the green transition.

The same applies to the ability to attract, hire and develop skilled employees. Today, skill shortages are a real hindrance to growth, and this is preventing companies from developing and selling their products and services. The free movement of

labour and services and labour market matching can be improved by improving mutual recognition of school and higher education diplomas. The EU can also make it easier to hire workers from third countries.

Thirdly, and no less important: businesses need access to basic production resources at competitive prices. This is about energy, raw materials, labour, capital and data. More sustainability requires more electrification.

Currently, the EU is dealing with legislative proposals for ensuring access in Europe to selected strategic raw materials, and speeding up environmental permit processes for selected so-called green projects. This is good as permit-granting is often characterised by long processing times and unforeseeable processes. The green transition requires faster and more balanced permit processes. This will help to create jobs and thus contribute to welfare.

Sweden has now handed over the presidency to Spain, which has also chosen open strategic autonomy as one of its main priorities. As employers, we will push to keep business and EU competitiveness at the top of the EU's policy agenda.

The article was first published in [The Times of Malta](#).

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Extraordinary Employers' Group meeting and study visits during the Swedish Presidency LULEÅ - WHERE THE GREEN TRANSITION IS HAPPENING RIGHT NOW!

The EESC Employers' Group went to Lulea, Sweden to learn and exchange about regional industries that are providing cutting-edge solutions for the green transition.

On the first day, the EESC Employers' Group visited SSAB and HYBRIT to learn more about their ambitious fossil-free steel projects. SSAB, has started together with LKAB and Vattenfall the HYBRIT project (Hydrogen Breakthrough Ironmaking Technology), with the goal "to develop a fossil-free value chain for iron and steel production using fossil-free electricity and hydrogen, thus minimizing the carbon dioxide emissions throughout the value chain".

President Stefano Mallia summarized the study visits: "This is



the way forward. Private investment and EU funding are being combined to develop HYBRIT technology. We need to be competitive to encourage such investment."

On the second day, the conference "A competitive Europe for a successful green transition" took place, which was organized in cooperation with the Swedish Employers' organisations Bygghälsan and Industriarbetsgivarna. Together with experts from academia and the business world the EESC Employers' Group discussed how energy-intensive industries and the construction sector can be vital parts of the green transition and stay competitive.

"Europe's future economic growth prospects will depend on its ability to increase productivity. Policy must support innovation, increase skills, reduce rigidities in labour and product markets and enable a better allocation of resources", emphasised Christian Ardhe during the conference.

Isabel Yglesias closed with the statement: "The agenda to ensure successful twin transition towards a climate neutral and digital economy, while staying competitive is clear. However,



we need to get all the factors right to create the competitive business environment we need to guarantee social progress. The prioritisation of competitiveness at the center of EU policies is only starting."

Faced with water challenges, the EU needs a Blue Deal

Water is a human right, and fundamental to all aspects of life. Access to water has been something we have taken for granted in Europe for a long time.

But the world is facing a water crisis, and our continent is no exception. Recent reports show that the European Union is not on track for achieving the sustainable development goals related to water. Around 30% of the EU population is affected by some form of water stress. Last summer saw the worst droughts in Europe in 500 years. Lack of access to good quality and affordable water and sanitation - water poverty - is an everyday experience for millions of EU citizens today.

The EESC strongly believes that the EU's current approach to water policies is fragmented and does not address the challenges we face sufficiently. It is high time for a change of scale, as was the case with climate policies some years ago. This is why the EESC has chosen water as its cross-cutting package this year and will be calling for an [EU Blue Deal](#), a comprehensive strategy to address all water challenges ahead. Water is vital, and can therefore no longer be treated as one of the pillars of the EU Green Deal - it deserves a policy of its own.

Across its sections, the EESC is working on a set of own-initiative opinions, covering economic, social, environmental and geopolitical aspects of water challenges. We examine the impacts of these on agriculture, industries, infrastructures and sustainable consumption, highlight the need for foresight in the EU on water and the need for reliable data, and call for adequate financing.

We believe that there is a need to integrate water better into all EU policies, including EU industrial policy. The EU also has



the opportunity to position itself as a frontrunner in this area. To support the transformation of our society, Europe must become the world leader in water-efficient technologies. These are an important part of the solution for all society, making agriculture and public and private consumption more water-efficient and sustainable and contributing to our competitiveness and to future employment.

Our aim is to have the European Commission adopt water as one of its political priorities for the next mandate. On 26 October, the EESC will adopt its call for an EU Blue Deal and deliver concrete and meaningful proposals for a new European water strategy.

But we cannot achieve this all alone. The EESC is working closely with key stakeholders and institutions for an ambitious water policy for Europe. We will monitor the take-up of our proposals and make sure that there will be follow-up actions in the months and years to come on this topic, which directly impacts the lives of each and every citizen. I invite you to join us, to support us, in our call for an EU Blue Deal.

This article was also published in the "EESC Info" July Newsletter.



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EU critical raw materials policy

A COHERENT, DYNAMIC AND TRANSITION-PROOF APPROACH IS NECESSARY TO DECREASE EU DEPENDENCY

EU institutions have to ensure that future investments in critical and strategic raw materials are supported by a robust policy framework, providing certainty for investments in exploration, extraction, processing, refining and recycling of raw materials. Future EU raw materials policy must be based on a transparent methodology and flexibly react to changes in global supply and demand.

In its upcoming opinion CCMI/211 (Critical Raw Materials Act), which will be discussed at the EESC's July plenary, the EESC welcomes the ambition of the European Commission to prepare a dedicated policy focused on raw materials supply and recycling, but adds several considerations that need to be addressed.

Critical raw materials (CRMs) are key to enable European industry to meet the political goals of the EU and to achieve the green and digital transitions, which depend on the availability of raw materials. Meanwhile, an analysis of global supply confirms that China is the largest supplier of several CRMs globally and also the main supplier of 21 CRMs to the EU (rare earth elements, refined cobalt, nickel, bismuth, gallium, germanium, tungsten, vanadium, etc.). For the majority of metals, the EU depends on imports between 75% and 100%. Compared to 2020:

- lithium demand for batteries in the EU is expected to grow by 12 times by 2030 and 21 times by 2050,
- platinum demand growth in the EU is expected to be 30 times more in 2030 and 200 times in 2050,
- global graphite demand for batteries is to reach 9 times the current global supply by 2050,
- and neodymium or dysprosium (crucial materials in permanent magnets) show a relative increase vis-à-vis current demand of 5-6 times by 2030 and 6-7 times by 2050 in the EU.

Finally, according to recent forecasts by Benchmark, more than 300 new mines could need to be built to meet the global demand for graphite, lithium, nickel and cobalt by 2035, based on the average mine size. Considering all of the above, the upcoming opinion suggests several recommendations to better address the current situation. It highlights the need for regulatory certainty for investments in CRM projects and for lowering the regulatory burden for businesses, the need for clear prioritisation of CRMs in legislation and the



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necessity of dynamic, adaptable lists of critical and strategic raw materials (including secondary raw materials).

The issue of public support is also highlighted by the EESC, as well as the need for appropriate public financing and capacity building in extractive industries or the shortening of licensing/permitting procedures for raw materials projects on EU soil. The discovery of rare earth reserves in Sweden or Finland now raises the possibility that Europe could decrease its reliance on imports of rare earth elements but, in order to exploit these reserves, the EU must accelerate its permit-granting procedures.

Finally, the upcoming opinion calls for effective international cooperation, including with candidate countries, and conclusion of free trade agreements to allow for diversification of EU supply. The CRM Act should – first and foremost – ensure access to all critical raw materials for industries and to infrastructure enablers for the green transition, including copper, industrial minerals, graphite, nickel, or secondary raw materials.

There is a wealth of opportunity within the EU to increase domestic raw materials supply, but all of these considerations need to be properly addressed in the EU raw materials policy, if it is to be successful and fit for radically transforming the EU economy.



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A commitment to industry in Europe

The European Union must remain an industrial location. It must be assertive about its place as a global player vis-à-vis other world powers. It needs to become faster, more innovative and attractive once again to investors, while maintaining social and environmental values such as functioning social dialogues and social welfare systems, respect for the rule of law and stable institutions. The aim of green industrial policy should be to achieve social welfare and greater economic competitiveness.

We are living at a time of geoeconomic change – new players have emerged, searching for a new power balance. The multilateral rules-based system is in decline and protectionism is on the rise. Competition for international investment has become stiffer, as has competition for raw materials. Rising energy prices and changes in global supply chains are putting companies under pressure. EU gross domestic product (GDP) is evidence of the deterioration in its competitiveness: GDP per inhabitant in the EU was around 70% of that in the US in the 2000s; currently it is only just under 66%. Only 5% of the world's gross investment took place in China in 1999 as against 29% in 2020 – more than anywhere else. In the US and the EU, this share declined significantly in the same period – in the US from 29% to 20%, and in the EU from 23% to only 15%. The EU has the ability to change this: completing the single market could add more than EUR 700 billion in economic output over ten years, and a common digital economy could contribute another EUR 178 billion. Then the EU could also continue to successfully establish and promote European standards globally. To make this happen the EU Member States have to agree on a new compass for their common policy agenda and bring to bear all the available political tools, measures and instruments to make the EU resilient, competitive and sustainable.

The solution, or the compass, must include a commitment to diverse industry, with a wide range of sectors and producers and "industrial ecosystems", including SMEs and social economy actors. A competitiveness check must be embedded in the EU's decision-making processes. The compass will also have to take into account the need to fight climate change and become significantly more sustainable in our ways of producing and consuming must also be factored in. For the former, a competitive circular economy can make the EU more resource- and material-efficient while improving the availability of critical raw materials.

The third part of the compass rose is the need for skills and talents – the core resource of the EU. In this context, however, the EESC criticises the proposal of Net-Zero-Academies, questioning the Commission's self-conferred power to define



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vocational education needs and curriculums, which is a core responsibility of social partners. While support for the development of skills as such is welcomed by the EESC, it is wary of introducing (professional) training policy provisions of this kind via a regulation, which has no legal basis in the EU's treaties. Instead of this regulatory overreach, the Commission and the Member States should ensure that the EU industrial plan helps create quality jobs with fair working conditions and good pay, and promotes democracy in the workplace, collective bargaining, and respect for collective agreements.

And the fourth part of the compass should point us towards a well-functioning single market, avoiding distortions as well as threats to economic convergence and social cohesion across the EU, and target regional development. This includes access to finance for all European regions and better connectivity in all Member States achieved by developing and upgrading infrastructure and interconnections for transport and energy (grids).

The Green Deal is a good compass for the EU's economic and social agenda. However, to get the EU to its destination - a more sustainable and equitable society - a compass alone is not sufficient. To set the right course we need financial support but not a subsidy race, a regulatory framework that is clear and stable but not bureaucratic, joint understanding and commitment and not national pettiness, for the course set. We need to enable our economies and our social fabric as well as our value base to stand up to its systemic rivals, and to be innovative and competitive while remaining socially responsible and becoming environmentally and economically sustainable.



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Rapporteur of the opinion INT/127 "[Green Deal Industrial Plan](#)"

Political priorities of Europe's leading business organisations

Every year, the EESC Employers' Group invites its partner organisations to an exchange on current political priorities. Also in 2023, key representatives from BusinessEurope, Copa-Cogeca, Eurochambres, EuroCommerce, SGI Europe and SMEunited joined the EESC Employers' Group meetings to discuss key topics for European employers. The meetings showed that the twin transition, skills and the Single Market will continue to drive the political agenda of Europe's leading business organisations.

The twin transition is the trajectory guiding future investments of European businesses. All organisations agreed that Europe will be able to stay competitive in the long run, only if it manages to be a frontrunner in the green as well as the digital agenda. However, all organisations highlighted that these goals will not be achieved through European legislation that suffocates the ability of companies to produce on competitive terms.

The Net Zero Industry Act cannot omit the digital transition and cannot focus solely on the net-zero technology sector. Policymakers must acknowledge that the green transformation is underway across all sectors and types of businesses. This is why the EU should do everything in its power to improve investment conditions in Europe and enable all businesses to undergo the digital and green transition.



Employers' organisations have been stressing the lack of skills for many years, and due to demographic change in Europe, the labour market situation becomes more precarious every day. If the European Year of Skills should really make a change, it needs to bring solutions that are able to provide Europe's economy with the right workforce. This could include more focus on vocational training and the facilitation of workforce migration. Moreover, also in view of the twin transition, entrepreneurs need access to lifelong learning.

Equally, 30 years of the Single Market should provide impetus for working on existing shortcomings. Regulatory burden is one issue that needs to be addressed in this context. Concrete actions are needed to reduce the cost of compliance with European regulations, for example regarding the Corporate Sustainability Due Diligence Directive or the Corporate



Quotes from the meetings:

"The road to long-term competitiveness cannot be paved by subsidies, but has to be based on a strong single market and on ties with like-minded partners", Stefano Mallia, President of the EESC Employers' Group.

"The EU needs to deploy all the means it has at hand to make our continent once again the place to be for investments, despite the challenging situation", Markus Beyrer, Director General at BusinessEurope.

"We support the EU objectives of making our Union healthier, improving its biodiversity, and producing more sustainably; but we must also have the tools to continue producing in a sustainable way and maintaining stable and sufficient output", Patrick Pagani, Senior Policy Advisor of Copa-Cogeca.

"Competitiveness is too often overlooked. We need to have a clear competitiveness agenda, including systematic competitiveness checks that have a real impact", Ben Butters, CEO of Eurochambres.

"The challenges are huge for the retail sector in 2023 and beyond: A recent study showed that the sector needs to invest €600 billion by 2030 for its green and digital transformation and to keep up with skills needs", Christel Delberghe, Director General of EuroCommerce.

"The potential of Services of General Interest is not fully exploited to boost Europe's competitiveness. SGIs are not only enablers, but we are also drivers of competitiveness. And this potential needs to be better harnessed for our overall economic success", Valeria Ronzitti, Secretary General of SGI Europe.

"Priorities for SMEs are investment capacity, skilled staff & regulatory burden, which have to be tackled in the SME Relief package", Veronique Willems, Secretary General of SMEunited.

Sustainability Reporting Directive. The commitment to reduce regulatory burden by 25% is of course welcomed, but it must be followed up by concrete actions.

It was recognised positively that the EU has started to prioritise the competitiveness of our economy and businesses, moving away from decades of neglect. Although the European Commission package on competitiveness released in March is seen as a step in the right direction, this package does not contain sufficient measures to fundamentally improve the EU's

business environment and investment climate. The Commission has to start operating from a competitiveness perspective and use the Competitiveness Check as more than a tick-the-box exercise.

It is clear that Europe's businesses continue to operate in a challenging environment in 2023. If businesses should remain the providers of European prosperity, the focus needs to be on creating an enabling business environment that allows Europe's companies to be competitive.

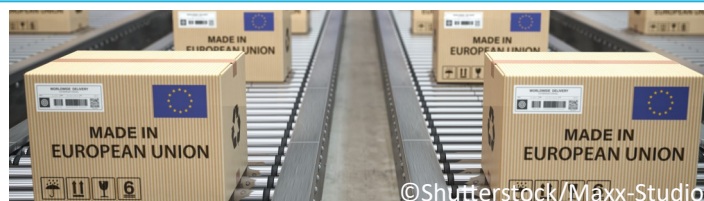
How to wrap up the EU's proposal on packaging?

On 30 November 2022, the European Commission proposed draft packaging and packaging waste regulation (PPWR), which aims to reduce waste and ensure all packaging is reusable or recyclable by 2030. The review contributes to reaching the objective of the European Green Deal and the new circular economy action plan. While it is right to minimize the amount of packaging waste, the proposal lacks detailed impact on human health and environment. It also provides zero guidance for industry how the 2030 goal should be achieved in a sustainable way.

EESC Employers' Group member Alena Mastantuono participated as a speaker in the Euractiv debate titled *"Packaging and Packaging Waste Regulation - How can we make it work?"*.

She highlighted following key messages:

- Reusing and refilling are far from the best choices from a climate-change and environmental point of view, as they increase logistics, have long transport distances compared to local collection and recycling. Furthermore, cleaning refillable bottles increases energy and water consumption as well as emissions. The best way is the combination of reducing, recycling, reusing and refilling, while reflecting the specificities of each material and taking into account the entire carbon footprint.
- The proposal does neither provide a clear definition on high-quality recycling, nor detailed parameters of calculating the reuse of packaging for certain companies, which creates a huge uncertainty for investors.



- The proposal prolongs the uncertainty for economic entities.
- The requirement for a 15% reduction in packaging per consumer must be replaced by taking into account also economic activity, industrial production and the income of the inhabitants of a particular country, not only the number of inhabitants, as otherwise the motivation for big polluters might not be high enough.
- Instead of a regulation, two legal acts should be used - directive and regulation. The directive which usually sets targets for Member States and takes into account national differences, could address the management of packaging and packaging waste. The regulation could have basic qualitative requirements for packaging placed to market, requirements for their recyclability and marking.

Ms Mastantuono emphasised that the European Council and the European Parliament have to work on clear definitions but also on details of the proposal. More studies and data are needed in order to ensure that recycled packaging will not harm consumers health and that the new rules will not contribute to the increase in CO² emissions and therefore not contradict with Green Deal goals.

Find articles on the debate in [Euractiv](#) and on our [website](#).

Welcome to our new EESC Employers' Group member!



AMEDEO BONOMI

Nationality:	Italian
Organisation:	Confapi Brescia
Fields of expertise:	Industries, production and digitalisation related to industry
Background:	CEO of Omal S.p.A SB and Actuatech S.p.A., both active in manufacturing industrial valves. Vice-president of the Italian Confederation of Small and Medium-Sized Enterprises of Brescia (Confapi) since 2006, and member of the board of Confapi Brescia and Confapi Rome from 2009 to 2022.

EESC Employers' Group gets solid backing for counter opinion on Social Progress Protocol

At the EESC's June Plenary session, the Employers' Group put forward a counter-opinion to strongly voice its concern about adding a Social Progress Protocol that would fundamentally change the nature and functioning of the EU social market economy.

Following a request of the Spanish Presidency of the EU Council, the EESC adopted an exploratory opinion on the introduction of a Social Progress protocol which obtained 132 votes in favour, 102 against and 7 abstentions.

The Employers' Group, which voted united against the opinion, and presented a counter opinion as it considers that such protocol would seriously risk undermining the very basis for social progress.

The ETUC proposal for a Social Progress Protocol would introduce the primacy of social, labour and trade union rights not only in their interaction with economic freedoms, but also in relation to the internal market, competition and any other policy measures of the Union, including, inter alia, areas such as economic governance, trade, digitalisation and the environment.

"Giving a general priority for social rights over the economic freedoms would be as wrong as giving general priority to economic freedoms," said Stefano Mallia, President of the Employers' Group. "We risk that it will make us lose all that we have achieved so far," he added.

A Social Progress Protocol would indeed call for a Treaty change, putting an end to the existing balance between social rights and the four freedoms underpinning the internal market, a balance currently ensured by several provisions of the Treaties.

Such Social Progress Protocol was initially proposed by European Trade Union Confederation in 2008, following the decisions by the EU Court of Justice in a number of



judgements, like the Viking, Laval, Rüffert and Luxembourg cases concerning posting of workers. The proposal was again put forward in the context of the Conference on the Future of Europe.

"Rather than the EU coming up with a Social Progress Protocol which would distort the balance between economic freedoms and social rights, and interfere with well-defined EU and national competences, it is important to progress towards a shared understanding of what constitutes the added value of EU, in terms of employment and social policies", said Mariya Mincheva, EESC Employers' Group member, who introduced the counter opinion.

According to the Employers' Group, the employment and social policy objectives should continue to be addressed within the current Treaties and the existing legislative and policy framework at EU and national level, while fully respecting the autonomy of the social partners. As such, Article 3(3) of TEU, stresses that the EU shall work for sustainable development based on "a highly competitive social market economy, aiming at full employment and social progress".

The EESC Employers' Group counter-opinion, which has obtained 101 votes in favour, 133 against with 7 abstentions, was appended to the EESC opinion.

Opinion SOC/756 "Social Progress Protocol" (Counter-opinion attached): <https://europa.eu/ljdMJ7Q>

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