CDU/CSU-Gruppe in der evp-fraktion im europäischen parlament

Industry Hub Europe 2050

Successfully shaping the race towards climate neutrality!

Position paper of the CDU/CSU Group

Industry Hub Europe 2050: Successfully shaping the race towards climate neutrality!

Setting priorities right, shaping a new era, unleashing Europe

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In its Communication on the Work Programme 2023, the European Commission has made it clear that the unique crises that Europe is currently facing and which are so clearly felt in the everyday lives of Europeans cannot be overcome with a „business-as-usual“ approach.

The first positive signals of a change in thinking in the Commission could be seen thanks to the good cooperation with Commission President Dr. Ursula von der Leyen, who, following our action on the EU chemicals regulation (REACH), the so called social taxonomy or on transitional provisions for certain medical devices, has worked for a breathing space for businesses as well as citizens. At the same time, the Commission also announced a post-winter review of all planned legislation in response to our goading, and is now holding out the prospect of an additional „competitiveness test“ for all new legislation in the form of the Green Deal industrial plan.

Nevertheless, other Commissioners, for example the Socialist Vice-President Frans Timmermans, are pushing ahead with location hostile and anti-business proposals such as the revision of the regulation on the sustainable use of plant protection products or the so-called Nature Restoration Law despite massive criticism from the Parliament and the Member States. Furthermore, his Directorate General already has further ideas for bans and regulations up its sleeve with proposals such as an initiative on protecting, sustainably managing and restoring EU soils or the plans for a framework on the substantiation of environmental claims.

So, unfortunately, it seems that for the European Commission, more regulation is still the way forward. Many of the initiatives foreseen in the past or current work programme continue to offer regulations instead of enabling and prohibitions instead of support. The Industrial Plan for the Green Deal also offers the prospect of more rather than less regulation as a solution.

The European Commission already presented the European Green Deal in December 2019. The fact that it is publishing an industrial plan more than 36 months later leaves some wondering about the Commission's correct prioritisation over the past three years. The 164 legislative priorities of the European institutions for the years 2023 and 2024, which in turn are likely to be accompanied by a number of ancillary measures, such as implementing or delegated acts, are therefore also significant. For last year alone, 2,397 legislative and non-legislative acts were adopted or amended, but only 663 legislative and non-legislative acts were repealed or expired. Another example that casts doubt on the seriousness of the One-In-One-Out principle introduced by the European Commission in 2019.

With the race to carbon neutrality ushered in by the US Inflation Reduction Act (IRA) and similar investment plans from China, Japan and other third countries, **Europe** all the more urgently **needs a vision for a carbon neutral, innovative industrial Europe 2050.** This vision must keep jobs and companies in Europe, make the EU more attractive again as a place to do business, enable companies to be competitive and technology leaders, and put Europe back on the world map of innovators and investors instead of patronising companies and citizens with guidelines, bans, directives and regulations.

In our view, the European Union can only counter the currently unfolding parallel crises with a fundamental **reform of the EU Green Deal.** This reform must begin with a **moratorium on administrative and regulatory burden** for proposals that are hostile to business and industry. At the same time, a **competitiveness package must consolidate and streamline the EU's body of legislation,** which is confusing in many areas, and adapt the legislation as outlined in the twelve points of this paper.

We also need to adapt existing rules to **facilitate public and private investment in the green and digital transformation.** EU funds that are already available must be made easier and faster to use in the interests of reliability. At the end of 2021, outstanding commitments from the EU budget alone amounted to €341.6 billion, including €89.9 billion from the NextGenerationEU programme, as the planned EU budget money for the projects in the Member States was not spent. At the same time, only 68% of the available funds were committed in the 2021 planning year of the Multiannual Financial Framework (MFF), leaving a good EUR 50 billion unspent. That is why **we do not need new funds or even more EU debt.** Instead, **we need a concerted channelling, reprogramming and reallocation of existing and appropriate funds,** especially the EU regional and structural funds and the COVID NextGenerationEU reconstruction fund.

Furthermore, there is a need for an **accelerated outflow of the already budgeted fund resources and the revision and debureaucratisation of the EU competition and state aid rules for high technologies** in the energy carrier sector (hydrogen, biomass, eFuels), environmental and semiconductor technology, artificial intelligence, quantum mechanics and photonics, fusion research, biotechnology and nanotechnology, pharmaceuticals, medical technology or robotics. This includes shortening and simplifying application and approval procedures for a pragmatic and cost-efficient energy transition, faster approval of production facilities for decarbonisation-relevant products as well as speeding up the decision-making process when calculating eligible costs for lighthouse low-emission or net-zero technology projects.

In addition, we need to do more to strengthen the competitiveness of European businesses inside and outside the Single Market. This year, the EU celebrates the 30th anniversary of its Single Market, which has led to unparalleled market integration between Member States' economies, serves as an engine for growth and competitiveness, and underpins Europe's economic and political power on a global scale. More recently, the Single Market has also been instrumental in helping Europe deal with the COVID 19 pandemic and the energy crisis resulting from Russia's war of aggression against Ukraine. Further positive impulses for the internal market were and are the accelerated approval procedures for renewable energies, the noticeably stronger consideration of industry in emissions trading, the more pragmatic specifications for hydrogen and the flexible adjustment of the EU framework for state aid in national measures to cushion the energy crisis. However, individual member states such as Germany and France must not be allowed to over-advantage other member states through the asymmetrical use of subsidies, or income- and production-based tax credits be used to the detriment of relatively small European economies. The **harmonisation of national tax rules by means of EU-uniform recommendations** must therefore be prepared extremely precisely and must not be rushed.

Increasing competitiveness also includes **strengthening the qualifications and education of young people** for the benefit of Europe as a location for science and industry. To achieve this, we have to deal with a Europe-wide shortage of skilled workers and, at the same time, high youth unemployment of around 15% of young people willing to work. This requires targeted support measures for young Europeans who do not aspire to university education. Furthermore, we need incentives for companies, unbureaucratic recognition of qualified educational qualifications and regulated and skilled migration. At the same time, clear and uniform European rules are needed for the repatriation of people to their countries of origin if they have no prospects of remaining in Europe. This requires fast and better **horizontal networking,** from the local communities to Brussels.

This also means that at one point or another we will have to **speed up legislative proposals or propose them in a simplified form.** At the same time, we must enter into a constructive dialogue with our international trading partners, especially the USA and China, in order to counter protectionist tendencies and protect European companies from further burdens. This applies to the interpretation of the US Inflation Reduction Act (IRA) for European companies, e.g. through an additional protocol, as well as to the handling of other programmes, such as the „China Standards 2035" strategy, where the EU should obtain an exemption from China's planned export restrictions on solar production technologies. It must be possible to place global trade on a solid foundation through free trade agreements, customs and investment agreements instead of losing oneself in protectionism. With the IRA, the Americans are showing that they choose to invest and, at the same time, give companies regulatory freedom to achieve climate neutrality. If Europe only regulates, our industry will not be able to compete globally with such government support as in the US, China, and elsewhere in the world.

Similar to the space race, the international spirit of innovation was the key to the moon landing in 1969 or the launch of the International Space Station in 1998. In our view, the race to climate neutrality while maintaining Europe as an industrial hub in 2050 can also only be won with innovation and empowerment, rather than with specifications and prohibitions resulting from new and old directives or regulations.

Withdraw burdensome proposals, discontinue potentially burdensome initiatives for the time being and reassess them through impact assessments

1. ***Nature protection package - Sustainable use of plant protection products:*** The goal is to reduce the use and risks of chemical plant protection products by half by 2030. A ban on pesticides in ‚sensitive areas' would be tantamount to a de facto occupational ban for many farmers. We cannot accept that. The additional bureaucratic burden that the proposal entails, together with the enormous restrictions on the use of plant protection products, will make Europe uncompetitive on the world market and dependent on poorer quality imports from third countries. The use of plant protection products must be based on clear scientific facts and not be influenced by ideologies; here we must base ourselves on holistic facts and rely on equal standards in all member states. We need the alternatives first, before we work on pesticide reduction. That is why the Commission must withdraw its proposal immediately and submit a new proposal that includes a careful impact assessment. As a precaution, we will table rejection amendments in the competent committees.
2. ***Nature protection package - Natural restaurant law:*** 20% of land and marine areas are to be restored by 2030 and all ecosystems by 2050. What sounds good could result in the set-aside of huge areas of land, driving up food prices and threatening food security and affordability in Europe and the world. Loss of income for farmers, forest owners or fishermen would also be the result. The EU's quest for greater global independence would jeopardise the very agricultural sector that has been independent and globally competitive. At the same time, there are already 13 European laws relevant to the restoration of ecosystems, but their success to date leaves much to be desired. Against this background, the draft proposed by the Commission must be withdrawn and replaced by a new, clearly defined proposal that not only identifies a uniform, European solution, but also brings together the ineffective directives and regulations that already exist, thus creating more clarity and transparency. As a precaution, we will table rejection amendments in the competent committees, too.
3. ***Commission work programme 2022/2023:*** In principle, we are of the opinion that the entire 2023 work programme and the outstanding proposals of the past year must be put to the test, e.g. through new, well-founded impact assessments. In particular, these are proposals that imply an additional bureaucratic burden or that were presented hastily by the Commission. We include the following initiatives:
    a. ***Regulation prohibiting products made with forced labour*** (COM presentation on 14.09.2022), which was adopted without an impact assessment. An impact assessment is imperative here, which we call for before to proceed;
    b. ***Development of Euro 7 emission standards for cars, vans, lorries and buses*** (COM presentation made 10.11.2022) address non-CO2 tailpipe emissions and additional emissions from brakes and tyre wear, and create further obligations for EU car manufacturers instead of incentivising innovation;
    c. ***Zero pollution package: New regulations for clean air and clean water:*** (COM presentation on 26.10.2022), stricter guideline values, lowering of some threshold values by up to 75%, which in turn creates new opportunities for legal action and could further promote a green ban culture;
    d. ***Revision of food waste and textiles aspects of the EU waste framework Directive as well as the initiative protecting, sustainably managing and restoring EU soils*** (Q2 2023), must not lead to more bureaucracy, regulations and further bans in agriculture, but must empower and meet agricultural producers' and consumers' interests;

e. ***Patent licensing package:*** (Q2 2023) including compulsory licensing of patents, innovation cannot be forced, therefore compulsory licensing of patents should be rejected and another form found;

f. ***New legal framework for sustainable food systems*** (Q3 2023), sustainability works best through incentives rather than prohibitions, competitiveness and innovation must also be the top priority in this proposal and the accompanying impact assessment;

g. ***Greening corporate fleets initiative*** (Q3 2023) here, too, openness to new technologies, a policy that promotes innovation and sets economic incentives for switching to ecological processes is more conducive to a sustainable economy than regulatory policy, targets and quotas. Here, too, entrepreneurial freedom in the design of company-owned fleets must not be nipped in the bud.

Adapt current and adopted legislation in the further process, consistently eliminate gross deficiencies

4. ***Corporate Sustainability Due Diligence Directive (CSDDD):*** Despite the final negative opinion of the Regulatory Scrutiny Board (RSB), the Commission‘s expert body for better regulation, the Commission has published the legislative proposal with only some amendments for purely political reasons, instead of fundamentally revising it. Therefore, the proposal needs to be fundamentally reshaped before we can consider approving it. This includes: the transformation of the directive into a regulation, an employee threshold, as in the German law, of 1,000 employees, a limitation of responsibilities to direct suppliers, a limitation to the supply chain, no reversal of the burden of proof and no civil liability going beyond the already existing national regulations, and no additional reporting obligations for due diligence in value chains beyond the Corporate Sustainability Reporting Directive (CSRD).

5. ***Energy Performance of Buildings Directive (EPBD):*** After years of stagnation, the issue of energy efficiency of buildings as major CO2 emitters needs to be addressed concretely against the background of our climate targets. However, the present proposal of the Commission received a final negative opinion by the RSB, and the Green rapporteur additionally tightened up the text. For Germany, the ideas of the Commission and the rapporteur would mean that several million buildings would have to be renovated to energy efficiency class D by 2033. This would require the renovation of 600,000 to 700,000 buildings per year from 2024. With a current renovation rate of less than 300,000 buildings per year and increasing inflationary and interest rate pressures, this is yet another pipe dream that is out of touch with the reality of life for Europe‘s citizens. Against this background, the proposal must be fundamentally revised in the trialogue, focusing on what is technically and economically feasible. This requires clear exemptions for private homeowners and municipalities if they cannot financially cope with renovations, regulations to mitigate the shortage of skilled workers and a ban on sanctions against private homeowners who cannot afford the renovations.

6. ***Revision of the Industrial Emissions Directive (IED):*** The aim of the revision is to make progress towards the EU‘s zero-pollutant target for a pollution-free environment and public access to environmental information. With the proposal, however, the Commission shoots strongly beyond the intended goal. The massive extension of the scope would affect 185,000 installations in the EU - especially from the agricultural sector - in addition to the 52,000 installations already targeted by the Commission. New reporting obligations and an overambitious tightening of emission limits based on technologies that are not ready for the

market place a significant burden on companies beyond what is necessary. In these times, however, we need a cautious approach, as well as a clear limitation of the plans for the reversal of the burden of proof, access to justice, environmental quality standards or demands for compensation.

7. ***Establishing a framework for setting ecodesign requirements for sustainable products:*** The aim of the framework regulation is to set eco-design requirements for all products in the internal market in order to better recycle them and increase transparency for consumers. This represents a great opportunity for sustainable business models in Europe and is an important basis for the circular economy (secondary raw materials, energy efficiency, cost reduction). The adaptation focus should be on: Cost assessment, no overlapping legislation, safety of certain substances will continue to be assessed under REACH, transparency of the Consultation Forum, maintenance of voluntary commitments (if they cover the majority of the sector), addressee-specific retrievable information in the digital product passport and respect of business confidentiality. Product requirements such as affordability or performance must also not be pushed into the background.

8. ***Anti-Money Laundering Package (ALMR/ALMD/AMLA):*** The aim is to create a uniform EU framework of regulations against money laundering and terrorist financing. What sounds purposeful must not place all citizens who want to pay in cash or municipal elected officials under general suspicion. We are therefore equally critical of the obligation to provide proof of cash transactions in the low four-digit euro range, which is why we advocate an appropriate cash ceiling. The same applies to the extension of the obligated persons to municipal mandate holders and their relatives in the case of politically exposed persons (PEPs), who are already subject to special requirements and regulations. With regard to the seat of the Anti-Money Laundering Authority (AMLA), the CDU/CSU group underlines the parliamentary say in the decision-making process on the allocation of the seat, which was underpinned by a court ruling on 14 July 2022, and is in favour of the location Frankfurt am Main.

9. ***Corporate Sustainability Reporting Directive (CSRD):*** The adopted legislative text significantly expands the currently existing non-financial reporting duties both in scope and detail. A good 50,000 companies across the EU will have to report in much greater detail than before on their sustainability activities. In Germany alone, this will in all likelihood lead to a tenfold increase in the number of companies required to report. Only the first batch of standards presented by the European Financial Reporting Advisory Group (EFRAG) comprises 12 documents, 211 pages of reporting, with 378 reporting requirements, which have been sent to the Commission for adoption by delegated act. In the process, the CSRD also serves as a link for other reporting requirements from IED, CSDD, etc. and can therefore trigger massive bureaucratic feedback effects. This process must be stopped and efforts must be made to streamline the regulatory framework.

10. ***Taxonomy:*** Both the delegated acts on the definition of sustainable activities for the climate change adaptation and mitigation targets and the delegated act on Article 8 of the Taxonomy Regulation, which defines the content, methodology and presentation of the information to be disclosed, are accompanied by enormous bureaucracy. The delegated acts on the other four environmental objectives are still completely missing. In view of the war, the currently confusing compliance and reporting requirements through the taxonomy and the delegated acts should be suspended. The plans for the so-called social and amber taxonomy and the development of a negative list of sectors, in which economic activities are to be classified into green, yellow and red categories in the manner of a planned economy, must be put on hold altogether.

Targeted acceleration of legislative and initiative processes, unleashing business, not bogging it down

The EU is a world leader in standardisation and data protection. The EU must continue to set standards in the digital and environmental fields, be it in artificial intelligence, the development of data-driven business models or new processes for CO2 capture and storage. This requires openness to technology, the deepening of the EU's internal market, securing Europe's competitiveness in the world, innovation and investment in future technologies, as well as products and services that help minimise our dependence on solutions from third countries. Therefore, groundbreaking legislative proposals must be designed in a targeted, low-burden and quick manner. The Chips Act for the location and strengthening of the semiconductor ecosystem in the European Union, the Data Act for harmonised rules for fair access to and use of data, the company-driven EU standardisation with regard to decisions of the European standardisation organisations without voting rights for third countries, but also the EU plans for the certification of measures to remove CO2 are just a few examples. For the latter, regulatory clarity is urgently needed for processes such as Carbon Capture and Utilisation (CCU), Carbon Capture and Storage (CCS), Direct Air Capture (DAC), but also incentives for the corresponding infrastructure. These efforts must be continued, for example, with the introduction of a single reporting instrument, a kind of EU one-stop shop for companies, in which both funding opportunities and all EU reporting obligations can be customised and fed in with little effort.

11. ***Current and planned legislative projects:*** Further ideas of the Commission that should be processed more quickly - under the premise of a low-burden and business-friendly as well as citizen-centred design - are, for example:
    a. ***Data Act*** (plenary debate scheduled for 14.03.2023), where proposals for vehicle and market-specific access rules for suppliers as well as upstream and downstream industries should be specified in a timely manner;
    b. ***Liability rules for artificial intelligence*** (were presented on 22.09.2022) to create clear rules and set accents in international competition;
    c. ***Strengthening capital markets package,*** including the Listings Act, a directive on multi-voting shares and a draft on the harmonisation of certain aspects of substantive insolvency law (were presented on 07.12.2022), should be accelerated in order to strengthen Europe as a financial centre and make the IPO process simpler and more attractive for European companies;
    d. ***EU Hydrogen Bank*** (Q3 2023), to promote and facilitate a market-based approach to scaling hydrogen production through private investment should be accelerated;
    e. ***Critical Raw Materials Act*** (scheduled for 14.03.2023), here, it is needed to strengthen strategic independence faster through diversification (raw material partnerships), domestic production and recycling/substitution;
    f. ***SME relief package*** with the revision of the Late Payments Directive (Q3 2023), a start has been made, but the Commission must focus even more on reducing burdens for companies and massively expand the range of topics of the SME relief package, e.g. through a mandatory SME/competition test for new legislation or the points mentioned under 11 l). Europe's innovative SMEs can play a central role in technological leadership. To be able to focus on innovation, the SME relief package must bring real bureaucratic simplification and cost relief;

g. ***Economic governance review*** (Q1 2023), compliance with debt rules, strengthened economic and budgetary surveillance as well as their coordination in the framework of the European Semester in view of US measures (Inflation Reduction Act, etc.) is essential, therefore we need to enable European Champion and accelerate the outflow of program funds;

h. ***Improved quality framework for traineeships*** (Q2 2023) to ensure pupils, students and young professionals a sufficient learning phase without falling into existential fears must be accelerated;

i. ***Legal migration: recognition of qualifications of third country nationals*** (Q3 2023), addressing skills shortages at European level and creating added value for all stakeholders. This requires both a faster agreement on the migration and asylum legal framework and the faster completion of the Schengen area;

j. ***Business in Europe: framework for income taxation (BEFIT)*** (Q3 2023) to reduce tax obstacles in the internal market and create a level playing field;

k. ***Retail investment package*** The Commission must use the investment package (Q2 2023) to improve citizens' access to the financial market. Ensure more consistency and coherence in dossiers such as the Markets in Financial Instruments Directive (MiFID II), the Packaged retail and insurance-based investment products (PRIIPs) and the Insurance Distribution Directive (IDD) to reduce the burden on retail investors and intermediaries. Under no circumstances should the retail investor strategy lead to additional bureaucratic requirements. We reject a ban on commission-based advice;

l. ***SME-friendly Basel implementation:*** which means for us no increased capital requirements for financing companies without a „rating" and for real estate financing;

m. ***Reduce bureaucracy posting workers:*** For many businesses in Europe, the Posting of Workers Directive is one of many bureaucratic examples. We therefore propose replacing both the Posting of Workers Directive and the Enforcement Directive with a new and uniform EU Posting of Workers Regulation that creates the same conditions for all businesses in all Member States. The planned common and Europe-wide digital form (e.g. a QR code) for the notification and control of the posting of workers should therefore be compulsory in all member states and not only have a recommendatory character.

12. ***Reallocate resources, consolidate legislative portfolio:*** As in 2007 („Stoiber Commission"), a high-level group of independent stakeholders in the area of administrative burdens should be re-established, which has demonstrably contributed to the consolidation of the legislative acquis, especially in 2008 and 2009. At the same time, as with the climate targets, the Commission should set itself long-term and ambitious consolidation targets for the acquis of European legislation.

Imprint

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