BUSINESSEUROPE

BusinessEurope's message to the European Council on 21-22 October

High energy prices and supply chains disruptions endanger European growth and jobs: immediate action needed to ease the burden on companies

1. More actions are urgently needed to tackle the energy crisis

Companies of all sizes across Europe are facing the prospect of an extremely challenging winter. The economy grew relatively strongly in the first 6 months following further reopening of the service sector and easing of travel restrictions. However, both business and consumer sentiment has fallen dramatically during the summer as companies are increasingly unable to further absorb high energy and raw material costs. Moreover, companies, who were already having to cope with record levels of skill shortages, are now facing the prospect of higher borrowing costs, and lower consumer demand. Policymakers need to use every lever at their disposal to combat inflation and avoid a deep recession and unnecessary job losses.

The immediate focus must be on the energy market, where dramatic rises in energy prices are increasingly impacting millions of European households and businesses. With price hikes coming to double or even triple digits, skyrocketing energy bills have a direct impact on the business viability in Europe and the whole economy.

The current state of high gas and electricity prices bears the imminent risk of production losses and shutdowns of thousands of European companies. Estimates show that 70% of Europe's fertiliser production has been shut or slowed down, while 50% of total aluminium capacity has been lost. There is a real danger that businesses, and in particular energy-intensive industries, relocate outside of Europe permanently, which will dramatically increase our dependencies on third countries and lead to a loss of competitiveness and jobs.

Urgently **finding ways at EU level to mitigate the impact of crippling energy prices faced by European business is a matter of survival**. Well-designed emergency measures must be implemented on a strict temporary basis, closely monitored, and adjusted if necessary.

The 14th of September package is not sufficient to mitigate the impact of high energy prices on European businesses. To prevent further production losses, the EU state aid framework must be further adjusted to temporarily enable Member States to grant much-needed aid to affected businesses, while maintaining a level playing field in the single market.

This involves a **prolongation of the Temporary Crisis Framework** (TCF) and defining less restrictive eligibility criteria for energy costs compensation. An extension of the list of eligible sectors for indirect costs compensation under the ETS state aid guidelines and a stronger use of the ETS Market Stability Reserve are equally important to alleviate European industry.

Furthermore, policymakers should urgently consider a **temporary EU-wide measure to decouple electricity prices from gas prices**. This exceptional measure could only be justified by the exceptional situation on the energy market. If designed well, taking into account the impact on security of supply and demand, such measure could effectively lower the energy bills.

Every MWh and bcm will count this winter. More can and needs to be done to **increase energy supplies in Europe**. It is extremely important to further intensify the external outreach to suppliers and deploy additional renewable, nuclear, low-carbon energy, and natural gas capacities in Europe as soon as possible. As many businesses are on the verge of collapse, all options to ease energy production should be considered, including temporary legislative adaptations or implementation moratoria.

While moving forward with exceptional temporary and short-term measures, we should **not lose sight of our decarbonisation goal**. Europe needs to revert as soon as possible to a functioning energy market, which incentivises investments in low-carbon technologies, grids, and interconnectors.

2. Guidance and support for companies on sanctions linked to invasion of Ukraine

European **business is standing fully behind the sanctions** that were adopted as a response to Russia's invasion of Ukraine. Many companies have decided to go even further than what was legally required. To ensure good compliance and harmonised implementation across the single market, companies need clear guidance and support from the European Commission and governments in implementing the legislation.

European **companies are also very engaged in supporting Ukraine**. Many companies remained in the country despite the very difficult situation and others are willing to go back once conditions allow. Ukraine is at war so we understand that some emergency measures might be justifiable. However, it is important that the country continues in the path for **closer integration and alignment with the EU** as this will be critical in the accession process as well as to attract investors.

3. Closer and deeper ties with trade partners to diversify supply chains

In view of the challenging geopolitical environment, it is natural for the EU to work more closely and develop **deeper relations with partners that share common goals** of peace, stability, democracy, and the rule of law. However, to remain a global player and leverage its economic clout the EU needs to **continue engaging with countries around the world** including those that we consider systemic rivals like China. At the same time to mitigate risks and build more resilience in our supply chains we need urgently to **diversify markets and sources of supply** namely through trade policy and trade agreements.

4. Concrete measures to ease the burden on companies

The cumulative effect of high energy prices, supply chains disruptions, labour shortages and rising interest rates put an enormous strain on European businesses of all sizes and endanger the jobs they provide. Immediate action is needed to **ease the burden on companies**.

In addition to considering temporary legislative adaptations or implementation moratoria to ease energy production in Europe and to providing guidance on how to comply with sanctions, it is essential to avoid unworkable provisions on due diligence or an unnecessary revision of the European Works Councils directive. We regret that the announced "one in, one out" principle has not yet produced any tangible results.

BusinessEurope calls on the European Council to **take the necessary decisions to tackle the energy crisis** and join forces with the Commission and the European Parliament to **work to ease the legislative burdens for companies, avoiding unnecessary revisions of EU law and taking into account the cumulative effect of EU legislation** to give positive signals to companies in this very difficult period, and improve growth and employment prospects in Europe. BusinessEurope stands ready to assist the EU institutions in this endeavour.