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BusinessEurope's message to the European Council on 15-16 December**Level the playing field across the Atlantic and EU solutions to the energy crisis urgently needed to avoid Europe's deindustrialisation****A level-playing field across the Atlantic**

In the current geopolitical context, the Transatlantic relationship, and the respect of rules-based trade by both parties is more important than ever. We are concerned about the measures the US has decided as part of the Inflation Reduction Act. Such measures are inconsistent with the WTO rules as they are discriminatory against foreign companies' exports and impact investments in the EU. We trust that a negotiated solution can be found, in particular for Electric Vehicles, before the legislation enters into force in January 2023. Failing to find a solution, we would have to consider other options. Moreover, we have to think about measures that support competitiveness and investments in the EU.

Reducing costs of doing business across the Atlantic through the work of the TTC remains a top priority. An ambitious and productive TTC can strengthen our economies, prepare our societies to embrace emerging technologies, and respond effectively to challenges from non-market economies that do not share our values. The TTC should work to remove barriers to transatlantic trade in goods and services and ensure a level playing field as we navigate the digital and green transitions. A more close and interactive engagement with business is essential to ensure deliverables that are meaningful and effective. We need a level playing field to ensure European companies' competitiveness, and at the same time make sure that we create a business-friendly regulatory environment and strengthen our Single Market and therefore Europe's attractiveness as a place to do business and in which to invest.

Creating regulatory breathing space for companies

European companies urgently need regulatory breathing space. The aftermath of the COVID pandemic, the war in Ukraine and the unlevel playing field created by the U.S. Inflation Reduction Act are putting European businesses more and more at disadvantage vis-a-vis the U.S. and other parts of the world where future growth is to be expected. We are at a turning point where the regulatory environment in Europe becomes a serious competitive disadvantage for industry. Better regulation, reduction of burdens on businesses and assessment of policy impacts on international competitiveness are more important than ever for future growth and employment prospects. The EU needs to move away from "business-as-usual", to regulate less and better. All Council formations must be mobilised to create this regulatory breathing space, identifying provisions that would undermine European companies' competitiveness and proposing better solutions when EU regulation is necessary.

The European Council must therefore urgently drive forward a stronger 'better regulation' culture in which retaining competitiveness of both SMEs and larger enterprises must be a key consideration. We count on the Council to join forces with the Commission and the European Parliament to ease the legislative burdens for companies, ensuring that the promise to establish a 'competitiveness check' for all the policy and legislative initiatives is delivered.



A game-changing solution at EU level to the energy crisis

The recent slight price declines on wholesale energy markets should not make us complacent. The situation remains extremely preoccupying, and in the absence of the adequate policy response, it will get worse. Average annual retail gas prices for EU industrial consumers increased twice as much as household energy prices and are much higher than in other parts of the world. For example, the European wholesale market gas prices remain between 5 and 7 times higher than in the US. Many European businesses are absorbing these costs or only partially passing them to consumers. More and more companies are forced to reduce production. The survival of the European industry is clearly at stake: we can see already some signs of delocalisation of production, and we can fear in the near future thousands of factories closing, notably SMEs. We urgently need a game-changing solution at EU level to mitigate exceptionally high energy prices in the short-term and ensure that Europe remains an attractive business location in the longer-term.

Despite all efforts and the need to always be cautious with market interventions as it could have unintended consequences, we remain unconvinced that the EU-wide emergency measures to rapidly lower energy bills, either adopted so far or currently under discussion are corresponding to the gravity of the situation. A stronger European response to the current crisis is essential to prevent more companies from shutting down their production and to avoid an irreversible fragmentation of our unique common energy market. We therefore call on the European Commission and all European governments to carefully consider all options for additional emergency measures, including urgently considering a temporary decoupling of electricity and gas prices. It is also important to rapidly update and continuously adjust the temporary crisis framework like it has been done in October 2022 to correct present and future flaws, such as the overly complex EBITDA and maximum aid criteria while maintaining a level playing field in the single market.

Thanks to the efforts made, including as a result of business and industry-led initiatives to lower energy consumption and organise fuel switching, the risks of forced curtailment for this winter seem rather limited. However, many uncertainties remain and the energy outlook for the long-term looks much more worrying. More needs to be done to increase energy supplies in Europe both in the short and in the longer-term. This requires continuing the external outreach to suppliers and deploying additional renewable, nuclear, low-carbon energy, and natural gas capacities in Europe as soon as possible. In this context, the joint gas purchasing proposal, which needs to protect commercially sensitive information, is an important step forward. All options to increase domestic energy production and to mitigate the impact of the crisis on European industry should be considered, including temporary legislative adaptations or implementation moratoria.

While moving forward with exceptional temporary and short-term measures, we should continue to decarbonise our economy without deindustrializing it. Europe will therefore need to revert as soon as possible to a functioning energy market, which incentivises investments in low-carbon technologies, grids, and interconnectors and progress towards EU's long-term goal of achieving net zero emissions by 2050 thanks to entrepreneurship and innovation.

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

BusinessEurope 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, they need clear guidance and support from the European Commission and governments in clarifying doubts regarding implementation of the legislation. Progress has been made, thanks to the good cooperation with the European Commission but there are still issues for which companies urgently need guiding responses. Moreover, enterprises that want to end their activities in Russia should be able to do so in an expeditious way.



European companies are also very engaged in supporting Ukraine. Many remained in the country despite the very difficult situation. Others are willing to go back once conditions allow. Ukraine is at war. We understand that emergency measures are justifiable. Going forward, 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.

The European economy is more impacted by the consequences of the war in Ukraine than other business locations. Our companies are under extreme pressure due to skyrocketing energy prices, supply disruptions, skills shortages, and inflation. They do not benefit from the same degree of support from policymakers as US firms and are also subject to heavier regulatory burden. There is a real risk of investment leakage and deindustrialisation on our continent. Failing to address this risk will undermine the EU's global strength as well as the wellbeing of citizens.

European companies urgently need further guidance on sanctions linked to the invasion of Ukraine and a level playing field with our partners across the Atlantic. They count on the European Council and the Commission to work hand-in-hand to finally break the deadlock standing in the way of game-changing emergency measures on energy and deliver the necessary regulatory breathing space needed to help companies survive the current crisis.