

## Position paper

# Ecopreneur.eu policy demands and priorities for the new European Commission

*Brussels, October 18, 2024 – In response to the “Political Guidelines”, mission letters sent to the EU Commissioners-designate, and the Draghi report on “The Future of European Competitiveness”, the European Sustainable Business Federation calls on the new European Commission and all policy makers in the EU to continue pursuing the ambitious goals of the European Green Deal and its timely implementation.* The following demands and recommendations apply to the implementation of the European Green Deal both to the forthcoming “Clean Industrial Deal” and “Circular Economy Act”.

Designed as a strategic blueprint for a “Clean Industrial Deal”, the Draghi report on “The Future of European Competitiveness” offers many constructive ideas. While Ecopreneur.eu endorses its call for significant EU investments in high-potential sectors, we stress the importance of integrating the **circular economy** for all sectors into that strategy based on clear rules and **conditions** for allocating these investments. Ecopreneur.eu welcomes the report’s call on the EU to invest 750 – 800 billion EUR per year into the transitions, concentrating on high-potential sectors and product groups that can compete in the global market.

The 5,000 companies in the Ecopreneur.eu membership are already investing in the green transition, and they are eager to invest more. To mobilise additional private investments, **mandatory Green Public Procurement (GPP) and strong economic incentives** are essential to ensure a level playing field and well-functioning markets for sustainable products. In addition, public investments should meet **sustainability requirements** such as the use of renewable energy or minimum recycled content.

As a business federation, Ecopreneur.eu welcomes an EU competitive strategy to support the European Green Deal’s long-term goal to transform the EU into a climate-neutral, socially inclusive, sustainable economy. Any further strategies to increase competitiveness should support this goal. However, the Draghi Report’s new focus on competitiveness and economic growth risks compromising the goals of the European Green Deal. While competitiveness is crucial for the EU and our businesses, it must not come at the expense of sustainability. A delicate balance must be struck to ensure that economic growth supports, rather than undermines, the EU’s climate goals. The renewable energy market, for example, must not be jeopardised by policies supporting non-renewable energy or technologies with a larger environmental footprint. Replacing the European Green Deal with a mere decarbonisation and competitiveness plan, as insinuated by the Draghi report, would compromise the balance between climate neutrality, sustainability and a just transition.

Moreover, shifting the focus away from the Green Deal risks delays in implementing already ratified laws, inconsistencies with new laws. Deregulation — whether through

lowering environmental or social standards, abandoning international commitments, or diminishing the EU's climate goals — undermines the stability and predictability of the legal framework on which businesses rely. This would in turn **reduce** investment security and trust in the EU common market. Therefore, competitiveness must be designed to be inherently sustainable to ensure long-term success and a fair transition for all sectors of the economy.

The Draghi report also falls short of recognising the **positive impact and transformation potential of the circular economy on local economies and SMEs**. Numerous studies have shown that high-quality, well-paying jobs in future-proof sectors are essential for promoting social cohesion and public support for green transformation, democracy, and the European project. The circular economy not only reduces the environmental footprint and reliance on primary resources but also strengthens local supply chains, creating future-proof jobs — particularly for SMEs — and fostering the social cohesion, well-being, and political stability.

We keep advocating the need for a **level playing field** for sustainable products, regulatory **simplification for SMEs**, and the creation of **circular business hubs** across Europe to foster a sustainable and inclusive economy. To support this development, financial incentives are key to helping SMEs with sustainable business models become more competitive. **Green public procurement** policies, for example, must be revised to include mandatory quotas. At the EU national level, **taxation** must be reformed according to the 'Polluter Pays Principle'. This principle ensures that those responsible for pollution bear the costs associated with mitigating its effects, thus ensuring fairness in the green shift for both people and businesses.

While we fully support the call for less regulatory burden, especially for SMEs, we strongly advocate **simplification rather than deregulation** of laws. To facilitate compliance, **SMEs should be granted in-person expert assistance** and access to technical tools in their own language. Digitalisation and AI-supported software, for example, could help collect business critical data and automate reporting. In addition, new regulations should be systematically reviewed and analysed for consistency, harmonisation and simplification potential, especially in sectors that are heavily exposed to competition.

To advance the transition towards a competitive, low-carbon, inclusive, and circular economy, Ecopreneur.eu calls on EU law makers to pursue the following **priorities**:

- ✓ Effective **transposition, implementation and enforcement** of **European Green Deal** regulation, including the adoption of the Green Claims Directive and the sanctioning of persistent greenwashing. The scope of the Green Deal should be **extended to the public sector** to cover, for instance, sustainability reporting by public hospitals on their health services.
- ✓ Boosting green investment by creating a **level playing field** for companies with sustainable business models through **financial incentives** based on the **"Polluter Pays" and "True Pricing" principles**, taking into account the negative impacts from the use of primary resources and fossil energy. True Pricing refers

to the practice of including all external costs, such as environmental and social impacts, in the final price of a product, ensuring that sustainable products are priced fairly in comparison to conventional ones. A level playing field can be achieved through the following policy measures:

- Introduction of **mandatory Green Public Procurement (GPP)** based on progressive targets and audits to prevent “greenwashing” of contracts. The potential amounts to 2 trillion EUR per year or 14 percent of the EU GDP, thus exceeding the investments the Draghi report asks for.
- Provide a legislative framework to **abolish fossil fuel subsidies** in EU member states. While European Union countries agreed to promote a global fossil fuel phase, they amounted to 123 billion EUR in 2022. These public investments steer the EU away from the green transition and long-term competitiveness. Instead, increase access to clean, cheap renewable energy for businesses.
- Encourage member states to perform a **tax shift from labour to the use of resources** to increase spending power of citizens while increasing taxes on fossil fuels and virgin raw materials. The tax shift refers to reducing taxes on labour while increasing taxes on pollution, as well as the use of resources, fossil fuels, and raw materials. This incentivises sustainable practices while increasing citizens' disposable income.<sup>1</sup>
- **Extend the EU Emission Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM) to all products and services** with a high level of greenhouse gas emissions (CO<sub>2</sub>-eq). A German proposal for a feed-in-tariff for recyclates based on reduced CO<sub>2</sub>-eq emissions could be applied to the CBAM as well as to EPR (see below).<sup>2</sup>
- Implementation of harmonised mandatory **Extended Producer Responsibility (EPR) schemes with eco-modulation** of fees for all waste-intensive sectors, accounting for the costs of waste management and environmental impact (internalisation of costs).
- **Opening of the EU VAT Directive** to allow Member States to introduce temporary lower VAT rates for a wider range of sustainable and circular products.
- Ensure that products imported to the EU market from third countries meet the **same rigorous criteria** as those produced within the EU. This

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<sup>1</sup> Detailed plans to achieve this in a tax-neutral way have been developed by the NGO Ex'Tax.

<sup>2</sup> Nationale Kreislaufwirtschaftsstrategie Entwurf, 17.06.2024, p. 100, [https://www.bmuv.de/fileadmin/Daten\\_BMU/Download\\_PDF/Abfallwirtschaft/nkws\\_entwurf\\_bf.pdf](https://www.bmuv.de/fileadmin/Daten_BMU/Download_PDF/Abfallwirtschaft/nkws_entwurf_bf.pdf)

includes robust enforcement of regulations and the implementation of appropriate market surveillance by member states, ensuring fair competition and preventing illegal imports.

- **Avoid granting blanket exemptions to sectors**, as this can lead to unfair competition, undermine consumer trust, and complicate supply chains further.
  
- ✓ **Support the implementation of 100 regional circular business hubs** by 2027 with a budget of at least 150 million EUR to boost capacity building for SMEs, including providing them with **free vouchers** they could use for external services. Circular business hubs would serve as centres of expertise and support for SMEs, providing access to technical knowledge, financial assistance, and guidance on sustainable practices. To ensure they receive effective support and business guidance in implementing EU legislation, modernising EU and national administrations through digitalisation and capacity building is essential. Assistance and financial support for Europe's 25 million SMEs to ***comply with new EU legislation*** and implement sustainable business models are key to boosting green investments and are currently virtually absent. We welcome the current plan for an online "hub" based on a few million EUR budget, but the knowledge shared there will not reach the bulk of them. For this, a **regional and in-person approach** is required for these SMEs. To promote access to related finance for SMEs based on clear and simple conditions, regional hubs should supply them with easy-to-obtain vouchers supporting them financially in the sustainable and digital transition. This is even more urgent since the United States has launched its Inflation Reduction Act, with huge funds for the energy transition that are relatively accessible for companies.

In conclusion, Ecopreneur.eu welcomes the EU Political Guidelines, mission letters and Draghi report, provided a delicate balance is struck to ensure that economic growth supports the EU's climate, circular economy and biodiversity goals, a level playing field for sustainable products is created, and SMEs receive regional support to manage the transition. Ecopreneur.eu and the green business networks within its membership are ready to work with policymakers to ensure these priorities are met, ensuring that the EU continues to lead in building a competitive and sustainable economy.

## ABOUT ECOPRENEUR.EU

Ecopreneur.eu is the European Sustainable Business Federation of seven national associations representing about 5,000 sustainable frontrunner businesses – most of them SMEs. As a member of the Coordination Group of the European Circular Economy Stakeholder Platform, Ecopreneur.eu is the only international business organisation in Brussels committed to ambitious measures, rules and regulations for a low-carbon circular economy. We advocate a new economic framework in which sustainability is promoted, the environment respected, and ecological principles are

followed. Ecopreneur.eu and our members bring concrete experience from pioneering companies into the political debate, show best practice examples and represent the needs of green SMEs in a credible way.

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