European Round Table
for Industry

Strengthening Europe's competitiveness

Key messages for ERT meetings in Stockholm & Madrid

March 2023

Summary of main messages

2022 – a difficult year for large parts of Europe's industry & society

1. Despite record level profits for some companies, EU industry is overall facing an existential crisis due to the cost of energy, which is expected to remain high and is already leading to de-industrialisation in Europe.
2. EU industry lost 30% of global market share in the past 2 decades (from 20.8% in 2000 to 14.3% in 2020).
3. The US Inflation Reduction Act (IRA) functions as a magnet and is attracting green investment from European companies towards the US.

2023 – a year of action to restore European competitiveness?

1. **A new encompassing programme is needed to restore competitiveness and deepen the Single Market**.
   - Further deepening the Single Market in Digital, Energy, Environment and Capital market is essential to counter-balance an increased use of subsidies and to stimulate competition as well as economic growth.
   - Europe needs determination and a battle-plan for removing the many remaining intra-EU barriers.
2. **Simplified & accelerated State aid & a joint European investment scheme would be a welcome support** for re-industrialisation and for energy-intensive companies to decarbonise. Europe's global competitiveness is at risk: we need to strengthen the business case for innovation (including IP).
3. **Foster private investment in the energy transition and upgrade energy infrastructure** across the EU. Boost the production of (clean) electricity so that the Green Deal targets are achievable.
4. The **EU's digital transformation needs a booster** (5G, data sharing, cybersecurity).
5. **The growing skills gap** in Europe's labour force has to be addressed with **greater urgency.**

Benchmarking competitiveness internationally shows that the EU was already in a position of weakness before 2022

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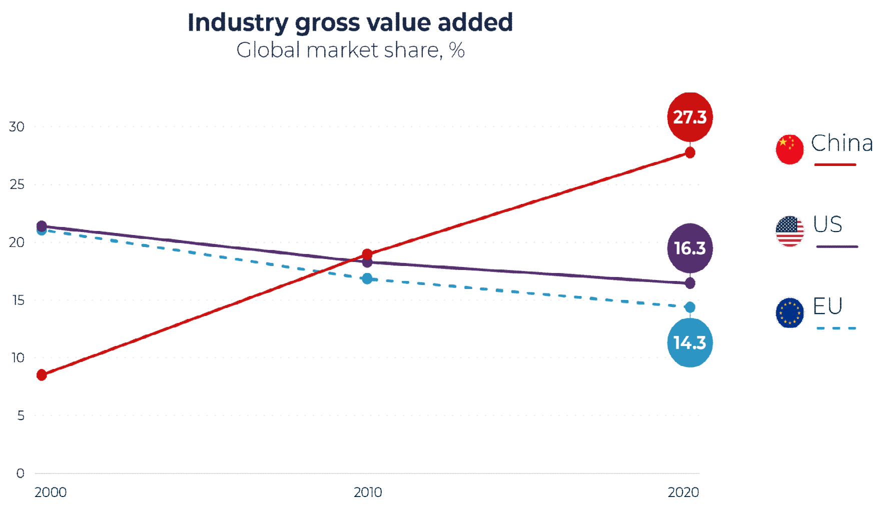
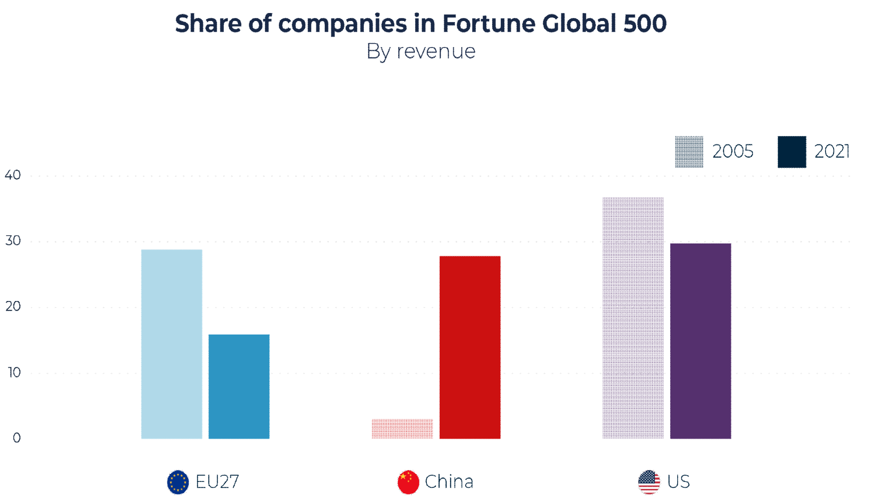
In 20 years, the global landscape has shifted



From leader to laggard:
EU industry has lost 30% of global market share



EU companies are being pushed out of the Fortune Global 500 by the rise of Chinese companies

Source: ERT 2022 Benchmarking Report: https://ert.eu/wp-content/uploads/2022/06/ERT-Benchmarking-Report-2022-LR.pdf

European Round Table for Industry

ERT recommendations – Improving Europe's competitiveness

Improving competitiveness

- Political and business leaders often have a different understanding of how to improve the EU's competitiveness [*see Annex 1*]
- Policymakers are currently dedicating a lot of time and resources to:
  - Legislative dossiers, such as the Net Zero Industry Act, the Raw Materials Act, the Chips Act and the Single Market Emergency Instrument (SMEI).
  - Evaluating how to increase State aid: Temporary Crisis and Transition Framework, Important Projects of Common European Interest (IPCEIs), developing a future European Sovereignty Fund, etc.
- However, a broader strategy and horizontal measures are required to **structurally improve the environment for doing business and the investment climate** for all companies in the EU.

Similar to the EU's ambition that was agreed in 2000 in the *Lisbon Agenda* to become by 2010 the "*most competitive and dynamic knowledge-based economy in the world*", ERT recommends developing a comprehensive vision to improve the EU's competitiveness in a global perspective:

1. **Systematically benchmark the competitiveness of the EU in international comparison**: quantitative Key Performance Indicators (KPIs) should form the basis of future Communications and legislative initiatives. Such facts & figures will contribute to better evidence and analysis of the lack of the EU's competitiveness in certain areas and lead to more targeted policy and investment decisions.
2. **Deepen the Single Market structurally** as the main top priority to improve competitiveness [*see next slide*]
3. **Improve and streamline the Competitiveness Check** (including an "SME test") on all legislation to reduce the regulatory complexity:
   - Not just on new regulation but also on existing legislation;
   - It is vital to avoid new burdens and reduce the fragmentation between 27 regulatory approaches.
4. **Reinforce the "Better Regulation" agenda**: a targeted effort should be undertaken to examine where existing regulation could be simplified and harmonised, and to avoid conflicting regulation with different aims.

I. Deepen the Single Market structurally

- The top priority for improving the EU's competitiveness is to fundamentally deepen the Single Market, which is more than just "preserving the level playing field".
- In December 2021, ERT submitted 30 Single Market stories, told by ERT Members, each of them highlighting a problem which relates to the Single Market, citing specific country examples and data. Progress to remove these has been slow [*see Annex 2*]
- Practical examples :
    1. Lack of recognition of certificates of heat pump installers prevent them to roll-out heat pumps in other EU Member States.
    2. Different types of waste cannot be transported across intra-EU borders, which prevents recycling and re-using at scale (e.g. Refuse Derived Fuel).

Why deepening?

1. It is the best way to improve the EU's **Open Strategic Autonomy.**
2. It provides the **scale** needed for companies that innovate and roll-out solutions to achieve the **green & digital transitions.**
3. The entire European business community requests a **simpler and more harmonised regulatory framework** in the EU as this will benefit all companies.
4. Removing intra-EU barriers will spearhead economic **recovery**.
5. More than **€700 billion can be unleashed** in the coming decade. This equals the NextGenEU recovery package, and it is budget-neutral for taxpayers.
6. The entire European business community requests a **simpler and more harmonised regulatory framework** in the EU as this will benefit all companies.

I. Deepen the Single Market (contd)

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What can be done?

1. Develop an **“encompassing programme with an agenda for action until 2030”**, as requested by the European Parliament in a resolution in January 2023 (see § 47).

2. The **Communication on the 30th Anniversary of the Single Market** should not just be ‘celebratory’ about past achievements but **breathe a lot of ambition.** It should lay the foundation to improve the governance of the Single Market and strengthen the toolbox for removing intra-EU barriers.

3. Start the **comprehensive mapping of all barriers as well as the fragmentation in the regulatory framework** – across all Directorates-General, and in collaboration with EU Member States. Outline options to improve ‘enforcement’ of the EU acquis.

4. **Spearhead a new encompassing programme to fundamentally deepen the Single Market** in all policy fields (ranging from Energy, Digital, Environment to Capital), working together across various DGs and with EU Member States. The resourcing of DG GROW should be significantly increased, or a new DG should be created with the mandate to mainstream the removal of barriers across all DGs and continuously deepen the Single Market.

5. **Incorporate into the European Semester instructions for EU Member States** to remove barriers. Currently, there are no conclusions drawn from the “Single Market Scoreboard”. Hence, recommendations should be developed to EU Member states.

II. State aid & European Sovereignty Fund

- **The US IRA is a wake-up call:**
    - The ‘size of the pot’ is important ; the “quality” of access & predictability of processes is as important. The EU’s State aid framework has to become more fit-for-purpose. Improvements are needed fast to address complexity, bureaucracy, uncertainty & delays based on a constructive & transparent public-private dialogue. For instance, IPCEI procedures should be simplified and accelerated.
    - The EU response should not turn into a subsidy race. We should make better use of tools that we have already.
    - Proposed changes (TCF/TCTF) should be short term and will hence be limited in effect. Thus, other measures to improve competitiveness are needed as well.

- The proposed **European Sovereignty Fund** is welcome as long as it enables additional public and private investments into decarbonisation projects, with equal and fair access for all companies if they invest in the EU, regardless of their origin. Such an EU-wide joint investment programme/fund) needs to preserve the Single Market as national governments have different fiscal firepower:
    - Financing should be designated to support companies’ decarbonisation & EU-wide infrastructure investments.
    - Rather than cumbersome and lengthy procedures for upfront applications, it would be more beneficial if the fund could finance tax incentives (similar to the IRA) for which companies can qualify (ideally at European level otherwise at nationall level).
    - A new EU-wide (‘Sovereignty’) fund can learn lessons from the NextGenerationEU / Recovery&Resilience Facility:
        - All national recovery plans were elaborated by EU Member States, very limited resources were earmarked for EU cross-border projects.
        - It is unclear how much of the 37% that was intended for ‘green’ purposes has actually benefitted decarbonisation projects by companies.

- “Buy European” conditions should be avoided as Europe benefits from Open Strategic Autonomy. There is no cause to increase protectionism. Stay in close cooperation with the US.

III. Innovation – Rethink, Refocus & Realise

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Europe's place in the world depends on our companies' continued leadership in innovation. To maintain it, policymakers and governments need to:

1. **Rethink regulation: make innovation a business case to achieve political goals**
   - Put the business case for innovating and investing in Europe at the centre of EU regulation.
   - Dynamically adapt regulation to keep track of technical innovation.
   - Promote testing under real life conditions (sandbox approach).
   - Speed up funding processes (i.e. IPCEIs).
   - Adjust the Taxonomy approach to foster investment in R&D driving transformation.

2. **Refocus on robust IP rights and international standardisation** [*see also additional slides in Annex 6*]
   - Ensure strong European IP protection and a global level-playing field.
   - Provide robust IP protection in the digital space.
   - Prioritise and strengthen Europe's interests in international standard setting.

3. **Realise scale-up of investment intensive innovation**
   - De-risk technology development through public-private partnerships and innovation oriented public funding.
   - Free up private sector resources by providing tax-based incentives for R&D activities.
   - Speed up market penetration of innovations by enabling faster scaling and replication (e.g. build up of green hydrogen market).

IV. Energy – Foster private investments & high-capacity networks

The risk of further de-industrialisation remains high

Despite the current drop in gas prices, energy costs for companies in Europe remain structurally higher than elsewhere in the world, including due to taxes and levies in the EU. The closure of operations, in particular in energy-intensive industries (steel, aluminium, chemicals, cement, glass, ceramics, fertilisers, etc.) in 2022 risks to continue, unless targeted measures are taken.

Overall recommendations:

1. As a vital pillar of the Single Market, the **Energy Union should be deepened** to achieve a truly common EU market with harmonised permitting & tax systems.
2. **Massively boost the production of clean electricity** to generate more supply for companies to achieve the green transition.
3. The EU Green Deal can only become a reality with strong public and private **investments in infrastructure** (such as grids, pipelines, long-term storage and interconnections) and much faster permitting procedures.
4. **Energy-intensive industry needs**:
    - Create conditions for investments "at scale" (simple and harmonised regulatory framework, making the business case work, stimulating demand, and targeted funding to support roll-out of new technologies, including CCS).
    - Tax incentives to invest in renewable or low-carbon energy production in Europe should be created. Allow companies to re-invest profits or carbon incomes in decarbonisation efforts.
    - Adjustments to the Temporary Crisis Framework should benefit energy-intensive companies in Europe that are at risk of downsizing, closing or relocating due to the high cost of energy & carbon in the EU. The last adaption in October has not been very helpful (due to EBITDA criteria, restrictions on dividend payments and a focus on the company-level, instead of on installations).
5. **Reform of the design of the electricity market**:
    - Build a fully functioning, integrated and liquid Single Market for electricity. Any reform going beyond targeted changes to the existing framework should be underpinned by an in-depth impact assessment and should not be adopted with haste as it would risk to trigger more fragmentation.
    - Facilitate long-term & multi-country Power Purchase Agreements (PPAs): remove administrative and system-barriers.
    - Create an EU framework for Contracts for Difference (CfD) that are market- and system-friendly.
    - Avoid imposing hedging obligations that would constrain the already illiquid forward markets and thus drive up prices.

IV. Energy - Supporting decarbonisation efforts

Feedback on the Commission Communication “Green Deal Industrial Plan” *(1 February)*

- The Plan states that the EU’s competitiveness is under pressure due to subsidies abroad, but does not compare the EU with other markets on crucial KPIs to attract green investments such as: high cost of energy & carbon; length of permitting procedures; volume of private investments; the scale of the internal market or incentives to stimulate demand. The Commission should annually track such benchmarking KPIs to inform policy-making on factors that are extremely relevant for the global competitiveness of European companies.
- There is therefore a lot of focus in the Plan on measures to improve State aid (flexibilising, simplifying, accelerating and broadening the scope of procedures), and not enough on simplifying rules or reducing barriers.
- No measures are proposed to remove barriers to doing business or to improve the overall investment climate in the EU.
- This should be remedied by developing a wider strategy to improve competitiveness and deepen the Single Market (not just the Capital Markets Union but also in the fields of Energy, Digital, Environment, etc.).

Recommendations for the upcoming Net Zero Industry Act *(expected by 14 March)*

- It currently seems that the focus is mostly on specific clean technologies: batteries, windmills, heat pumps, solar, electrolysers and carbon capture & storage.
- The EU should do more to support the decarbonisation process of the existing energy-intensive industries. This will lead to substantial gains on the trajectory to achieve net-zero by 2050.
- The EU should also take into account the ‘enabling factors’ to achieve net-zero, and make sure to boost investment in infrastructure. For instance, to decarbonise heavy industry (e.g. steel) and enable the use of (clean) hydrogen, a lot more renewable electricity will have to be produced and transported across the EU.

V. Sustainable Finance (1/2)

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The current development of ESG reporting risks compromising the EU's competitiveness

- Whilst ERT fully supports the objective of reallocating capital to sustainable business models, companies are concerned about the practical implementation of the **Taxonomy** and the future **European Sustainability Reporting Standards (ESRS)**, especially when **definitions of concepts remain unclear** and when ESG reports are not comparable and not useful for investors.

- Some companies are concerned when certain activities are currently not recognised as 'green' under the Taxonomy even though these contribute to a more sustainable future, e.g., the roll-out of fiber or certain types of forestry.

- The current development of the ESG reporting framework in the EU may divert from the international standards framework and risks to lead to **reduced competitiveness** of companies in the EU.

- **Over-reporting** reduces the transparency, tends to be confusing for stakeholders and places an unnecessary burden on EU companies.

V. Sustainable Finance (2/2)

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How ESG reporting can support competitiveness & sustainability

- ESG Reporting should **focus on relevant, meaningful KPIs** that are closely linked to the strategy of the company. Uniform definitions/measurements and a coherent regulatory framework are key for the success of the Taxonomy. Several concepts still need to be clarified through future guidance and **more consultation with the real economy is vital**.

- To **avoid 'greenwashing' and strengthen credibility of ESG reports**, a holistic view of sustainability performance is indispensable. This requires **measuring and evaluating all ESG aspects** along the entire value chain ('beyond green'). Availability of information/data, measurability, traceability and transparency are key.

- **International alignment on sustainability standards is essential** to ensure a level-playing field and to avoid unnecessary burdens for EU companies (double reporting). The EU should actively and constructively engage with international & jurisdictional standard-setters (ISSB, SEC, etc.) to reach a common understanding on key concepts and ultimately define a 'global baseline' that allows for comparability and transparency at the global level. A harmonised international framework should be the objective – fulfilling the European requirements should be sufficient for compliance with international and other national reporting/disclosure requirements.

- Companies need **sufficient time to implement** requirements and adapt internal processes and systems. This also ensures that the disclosed information/data is of high quality and of **added-value for the user** (financial markets).

VI. Digital transformation needs a booster

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European leadership in the industrial internet: what's needed to make it happen?

1. **Increased focus is needed on how digitalisation can enable the green transition.** European industry is essential in delivering digital innovation that drives both Europe's sustainability ambitions and competitiveness (see recent ERT Expert Paper).
2. **A single EU regulatory framework, based on common rules and standards, should foster B2B data sharing.** ERT is concerned about mandatory data sharing as proposed in the Data Act. In principle, data sharing should be voluntary. Catena-X shows that companies are willing to share data if it adds business value.
3. **Europe can leverage its technological capacity & strong industrial base to become a global leader in AI.** It is vital to ensure legal certainty in the proposed AI Act and prevent unnecessary burdensome obligations that could hamper AI adoption and innovation.
4. **Governments and industry must work together to respond to increasing cybersecurity threats.** Cyber resilience is a prerequisite for the EU's digital sovereignty. We support initiatives to increase the security and resilience of critical infrastructure. ERT's Chief Cybersecurity Officer Group is available for close collaboration with the Commission and Member States.
5. **We must boost investment in 5G and broadband networks**, which are key enablers for the digital transition. Europe still lags behind other regions in the rollout of 5G networks. Providing regulatory incentives for private investments in connectivity infrastructure is key.

VII. Skills – step up support for reskilling

- **Europe's educated labour force** is (still) one of the main reasons to invest and operate in Europe.
- However, Eur**ope is already facing a mismatch of skills in the labour force**: 5 million unfilled vacancies and yet over 11 million people unemployed.
- The twin transition accelerates this mismatch:
  - **Technology adoption and AI will require 20 million employees** to shift occupation by 2030.
  - We will require an additional 12 million ICT specialists + 2 million green jobs + €55 billion funding for adult education.
- Unless we counter-steer, a lack of skilled labor will become a threat to Europe's competitiveness for individual companies and our society.

Europe needs to take action

- ERT welcomes that 2023 will be the European Year of Skills as a very important signal.
- The EU could step up support for reskilling at scale of Europe's workforce, including private sector initiatives.
- ERT's experience with developing its Reskilling4Employment (R4E) programme reflects how access to funding is a hurdle for training programmes for non-employees (e.g., unemployed or at-risk workers).
- We recommend revisiting the rules of the European Social Fund:
  - To increase accessibility for new private sector-led training programmes & entrepreneurial training providers.
  - More strongly link funding with training outcomes.

VIII. Trade – set global standards

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To be globally competitive, European industry needs fair, free and rules-based global trade & a level playing field with international markets truly open to European trade and investment and no unfair disadvantage for European companies.

EU actions needed:

1. Set global standards through regulatory cooperation (including digital and sustainability) and promote regulatory stability and the Rule of Law worldwide.
2. Open markets by deepening ties with allies and trading partners – the US, UK, Latin America, Africa, Asia-Pacific – and for securing access to scarce raw materials.
3. Set a supportive policy framework at home and a take leadership role globally to strengthen the multilateral trading system via WTO reform.
4. Ensure the **EU-US Trade & Technology Council (TTC)** delivers results in terms of addressing emerging bilateral trade irritants (above all IRA), building a stronger transatlantic economy and pursuing joint trade, economic and technology leadership objectives. At the next TTC ministerial, and in coordination with key stakeholders, the EU and US should agree to develop a common vision on research and development towards 6G. We strongly favour more business dialogue and stakeholder involvement in the upcoming TTC meetings.
5. Establish a common and coherent European strategy on China. Take an assertive approach in deploying offensive and defensive trade instruments and addressing strategic dependencies and imbalances but avoid protectionism (‘de-risking but no decoupling’).
6. Make sure that the **Global Gateway strategy** has a clear focus on strategic infrastructure projects and involves a pragmatic dialogue with the private sector.

VIII. Trade – secure access to raw materials

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Critical raw materials (CRMs) are central to the EU's core objective of building European sovereignty, reducing dependencies and designing a new growth and investment model.

Through the upcoming European Critical Raw Materials Act, the EU should:

1. **Agree an updated single strategic list of Critical raw materials** which reflects the needs of the green and digital transitions, as well as the requirements of the defence sector to deliver Open Strategic Autonomy. We encourage the Commission to update the list based on ongoing geopolitical monitoring of short, medium and long-term vulnerabilities in the supply chain and spikes in domestic demand.
2. **Internal dimension:** Enhance support for the sourcing, processing and recycling of Critical raw materials within the Single Market. It should strengthen the attractiveness of new exploration projects in Europe and de-risk the early stages of the mining value chain. To accelerate the development of recycling and reprocessing markets, a CRM-specific circular economy strategy needs to be developed.
3. **External dimension:** Pursue a more forward-leaning strategy for the sourcing of Critical raw materials from a more diverse set of external markets. The CRM Act must include a strong external dimension, consisting of FTAs, MOUs, strategic partnerships and broader trade policy.

XI. Strengthening European defence industry

An **innovative and globally competitive European defence industry** is:

- Indispensable to guarantee security and sustainability of states, societies and economies.
- Crucial for enhancing Europe's technological sovereignty and resilience.
- Essential for forging international alliances and cooperation with other countries, and therefore fundamental for reaching an appropriate level of open strategic autonomy.
- Highly beneficial for Europe's competitiveness: innovation spill-over and skills of our workforce.

The competitiveness of the European defence industry is at risk, unless EU and European capitals:

1. **Set the right framework conditions:** reinforce defence capabilities by:
   a) strengthening the European Defence Fund,
   b) making European investments more efficient (and forward looking), and
   c) align procurement processes for better predictability and a level playing field vis-à-vis global competitors.
2. **Sends clear signals to increase social acceptance:** explicitly encourage private sector and EIB investments in the industry.
3. **Maximise innovation potential:** greater collaboration within the defence sector and a better exchange (duality and synergies) between the defence sector and Europe's industrial base.
4. **Ensure access to business critical inputs via recognition as a key strategic sector** – to be reflected in the EU Critical Raw Materials Act and the EU Chips Act.
5. **Maintain close cooperation and complementarity with NATO** to avoid duplication and set priorities.

European Round Table for Industry

Annexes

I. Competing narratives on ’competitiveness’
II. Examples of Single Market fragmentation
III. Benchmarking European Competitiveness
IV. Reskilling4Employment – an ERT initiative
V. A global race for competitiveness
VI. IP protection: a prerequisite for the innovative pharmaceutical sector

I. Competing narratives on ’competitiveness’:
are policy measures catering to the real needs of businesses?

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Political leaders & policymakers	Business leaders
1. **New funding schemes and more State aid** will make the EU more attractive for companies: make current rules more flexible & boost public investment through new funds.	1. **Attract more private investment to the EU by removing red tape, making less complex legislation and above all ‘better regulation’.** This will ensure that companies invest in decarbonisation projects in the EU and will **boost innovation and R&D in the EU.** Perform stronger “Competitiveness Checks” on new legislative initiatives as well as the existing regulatory framework. Public funds could be used to upgrade infrastructure (grids, pipelines, rail, ports, etc.)
2. **Strengthen the EU’s resilience and improve ‘strategic autonomy’**: map strategic dependencies and control the supply chain of critical goods – through the Single Market Emergency Instrument (SMEI).	2. **Deepen the Single Market by harmonising rules in the EU and increasing the free circulation (goods, services, people, capital & data)** in various policy areas (Digital, Energy, Capital, Environment, Defense, etc.). This will enable companies to gain sufficient scale and not face a fragmented patchwork of national requirements.
3. **Upgrade the EU’s capacities and production**, by legislating, amongst others through the “Chips Act”, “Raw Materials Act” and a “Net-Zero Industry Act”	3. **Measure and track competitiveness via Key Performance Indicators (KPIs)** - in particular benchmarked to the main competitors internationally – and use the facts & figures as evidence for policy-making and investment decisions. The EU’s shortcomings should be discussed in strategic meetings with the private sector to explore which “private sector-led” solutions can improve the EU’s capacities.
4. **Lower the cost of energy by intervening in the market** (such as capping the price).	4. **Lower the cost of energy by improving cross-border infrastructure in the EU** (interconnectors, grids & pipelines), **making energy markets more liquid**, and upholding market principles as well as a stable legal framework that doesn’t dissuade companies from doing the necessary investments in renewable energy projects.
5. **Improving ‘competitiveness’ or ‘productivity’** is often – wrongly – perceived as deregulation, weakening climate targets or environmental protections or keeping salaries of workers low.	5. **Improving ‘competitiveness’ and ‘productivity’ means better regulatory frameworks that foster private sector innovation (e.g. digitalisation), making the public sector more efficient and accelerating bureaucratic procedures** (including permitting for renewable energy projects). The goal is not to lower standards or weaken protections but to ensure a level playing field for business (including by harmonising standards upwards) whilst improving the EU’s competitiveness in global comparison.

II. Examples of Single Market Fragmentation

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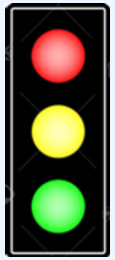
Deepen the Single Market fundamentally because there is slow progress on addressing problems in the 30 stories of the [ERT Flagship Paper] "Renewing the Dynamic of European integration"

1. AB Volvo
2. BASF
3. Engie
4. Ericsson
5. Iberdrola
6. Michelin
7. Mol
8. Roche
9. SAP
10. Solvay
11. Telefónica
12. TotalEnergies
13. Vodafone
14. Airbus
15. AkzoNobel
16. Deutsche Telekom
17. Investor AB
18. KONE
19. Leonardo
20. L'Oréal
21. Nestlé
22. Nokia
23. Orange
24. Philips
25. Rolls Royce
26. Siemens
27. thyssenkrupp
28. Barilla
29. Lenzing
30. Sonae
31. Air Liquide
32. Holcim
33. Inditex



= problem not addressed

= problem being addressed

= problem addressed

Black = unclear / still analysing

Blue = new problem

III. Benchmarking European Competitiveness

Published on 15 June 2022

64 KPIs

&

Observations and analysis

&

Targeted policy messages

Single Market & industrial performance

Innovation

Critical infrastructure & technology

Twin transitions

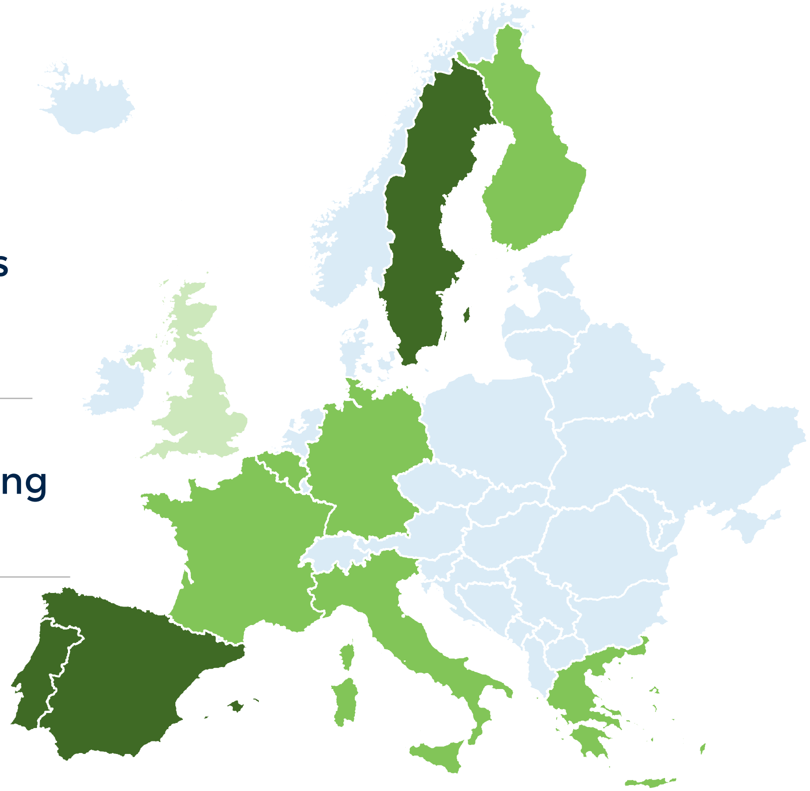
Global presence & influence

IV. Reskilling4Employment - an ERT Initiative

Accelerating progress in existing countries and expanding to new countries

Country	Champions	
	Sonae, SAP, Nestlé	33 companies 7 sectorial labs 8 occupational programs
	Telefónica, SAP, IBERDROLA	~5k unemployed reskilled by corporate-led initiatives ~4k reskilled through self-serve solutions ~18k employees proactively reskilled by Champions
	AstraZeneca, VOLVO	Proactive Reskilling Platform under way Alignment with Public Employment Service on funding Reskilling programs launched
	T · ·, SAP	
	LEONARDO, TECHINT, vodafone	
	SOLVAY	
	SOLVAY	

	NOKIA
	TITAN



Live
Building up
Discussions ongoing

R4E

V: We are in a global race for competitiveness through technological leadership

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Enormous economic pressure: declining competitiveness, upcoming recession, energy prices, deindustrialisation fears

Intense global competition for innovation:
US Inflation Reduction Act & China's Five-Year Plan

Problem:
Europe fails in turning invention into economic success

Priority:
Re-build the business case for investing in Europe

Purpose:
Secure our industries' competitiveness tomorrow and beyond

Response to IRA:
Not just about money. Realise our strengths

Europe's Single Market:
a strong customer base with untapped potential – removing last barriers: a €700 billion boost!

European Companies' DNA:
huge innovation potential, dedication to green and digital transition, incorporation of social cohesion

IRA: a wake-up call to solve Europe home-made problems

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To become more attractive for investments, Europe has to put its house in order

A **joint European plan: boost investments** that help re-industrialise Europe:

- Drive public-private partnerships
- Focus on generating investment and growth opportunities for companies
- Find the right mix of subsidies and tax incentives
- Much faster, predictable and transparent clearance of State aid and IPCEIs

Avoid temptation:

- No subsidies race with the US
- Avoid all-absorbing EU-fund battle

European Commission

Stick to our principles:

- Open Strategic Autonomy
- Adherence to WTO rules

Put Europe's house in order:

- Tackle Single Market barriers & fragmentation for goods and services
- Realise Europe's innovation potential
- Catch-up on long neglected investments in digital infrastructures
- Drive the Single Market for Energy
- Help close the skills gap

VI: IP protection: a prerequisite for the innovative pharmaceutical sector

Pharmaceutical sector is a an important driver of the economy in the EU
- €41 billion in R&D, 840’000 direct & 2.5 million indirect jobs in EU
- Industry with the highest value added/employee

EU is losing ground in terms of R&D investment and location decisions
- US spent $2 billion more on R&D in 2002 and $25 billion more in 2022
- EU today has 31% of world-wide R&D spend, compared to 41% in 2001

Development of innovative therapies is risky and complex
- 90% failure rate
- 10-15 years of development, >$1 billion investment / medicine

IP protection is the incentive for investing in R&D
- Without IP protection, R&D investments are not sustainable

IP protection is more important than ever
- Effective protection after market access has decreased by 4.2 to 11 years
- R&D costs / medicine are constantly increasing

Factors positively affecting the biopharmaceutical **investment location**

- Existing R&D / manufacturing footprint
- **Robust and predictable IP**
- Access to highly qualified staff
- Favorable regulatory environment
- Innovation ecosystem

A strong IP ecosystem attracts investments in world class innovation

- **Weakening IP protection in the EU will harm Europe's competitiveness in the pharmaceutical sector and prevent better health outcomes**

Why is IP protection important?

- Provides innovative companies with a long-term perspective and protects novel products from unfair competition
- Leads to better health outcomes through innovative therapies in areas of high unmet medical need (including in orphan and pediatric indications)
- Enables a sustainable business model and thus the development of a thriving life science sector

→ **Current EU and world-wide initiatives (WTO) pose threats to the innovative pharma sector**

EU pharma legislation revision

- Decreased protection of innovation
  - standard data protection: reduced from 8 to 6 years
  - orphan drugs: currently 10 years exclusivity, reduction by modulation from 5 to 10 years
- Risk of an increased complexity of the incentive system
- Ignores the industry commitments, e.g., filing within 2 years

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*The **European Round Table for Industry (ERT)** is a forum that brings together around 60 Chief Executives and Chairs of major multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe as a driver for inclusive growth and sustainable prosperity.*

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