

To:

The EU Heads of State and Government

Copy to:

José Manuel Barroso, President of the European Commission

Brussels, 5 February 2013

Dear Heads of State and Government,

The main European organisations in the fields of labour (ETUC), consumer protection (BEUC) and the environment (Green 10¹) are writing to you in relation to the “10 Point Plan for EU Smart Regulation”, sent by ministers of 11 member states to the European Commission ahead of its communication on Smart Regulation. While we acknowledge and agree that reducing unnecessary administrative burdens can be beneficial for society, we have grave concerns over the suggestion in the Plan of ‘reducing the overall EU regulatory burden’. We strongly feel that this runs against the interests of European citizens, the environment, and indeed Europe as a whole, for the following reasons:

- First of all, the 10 Point Plan seems to qualify the current EU regulatory framework as a burden to the EU’s development. However, the vast majority of regulatory measures for companies’ activities ultimately benefit Europe’s citizens. They have been introduced to limit or prevent negative impacts, risks and costs for society: safety standards protect people and workers from accidents; pollution limits result in fewer illnesses; financial reporting obligations prevent fraud and misuse of money; consumer protection rules encourage quality products; and liability legislation avoids that companies are transferring their costs to society at large. What companies might call a regulatory burden is in fact the safety net for individual people or society as a whole. Therefore, while reducing the unnecessary administrative burden of regulation can be a useful policy objective, reducing the regulatory framework itself can’t.
- Secondly, many European and national regulatory measures and standards are economically and financially good for the EU. While they might cause some costs for part of the business community, the overall economic benefits for the European economy are often much larger. The case of the European CO₂ from cars and vans regulation illustrates that EU regulations can be both absolutely necessary from an environmental standpoint, but also financially and economically beneficial. While it encountered strong industry lobbying in the making - including the argument of administrative burdens and additional costs for companies and the related loss of competitiveness - the Commission’s impact assessments showed that the 2020 CO₂ targets are highly cost

¹ Green 10 consists of Birdlife Europe, CEE Bankwatch Europe, Climate Action Network, European Environmental Bureau, Friends of the Earth Europe, Greenpeace European Unit, Health and Environment Alliance, Naturefriends International, Transport and Environment, WWF European Policy Office. More information at: <http://www.green10.org/>

effective for society, delivering net savings of between minus €100 and minus €300 per ton of CO₂ avoided and a GDP increase by around €12 billion per year, chiefly through savings in oil use and imports.

The European REACH Directive underlines the same point. The Commission's impact assessments acknowledged that the extra health, environment and workers' benefits associated with REACH could amount up to € 95 billion over 30 years, in comparison to € 2 billion direct costs for setting up the regulation².

A final example: the financial benefits in terms of lower health care costs of restrictions on the production and merchandising of tobacco products are much higher than the costs for the tobacco industry.

Weakening legislation on issues such as chemicals, emissions and tobacco based on 'regulatory burden' arguments would therefore harm the EU's economic development.

- Thirdly, the 10 Point Plan seems to confirm that few, if any, lessons have been learned from the current financial crisis. It was precisely a lack of effective regulation and oversight of the financial sector that caused the biggest financial and economic crisis in recent history. This allowed banks and investors to privatise profits, only for the losses to be socialised when the system collapsed.

In addition we would like to underline a number of specific proposals that are made in the 10 Point Plan which we consider will go strongly against the public interest:

- The Plan calls for offsetting burdens from new legislation (point 3). This would be a flagrant violation of the polluter pays principle enshrined in the EU Treaty. The purpose of regulation is to make a company responsible for the costs of its negative impacts. Compensating companies for these costs would transfer them back to society at large and offers no incentives for companies to reduce their impacts.
- We are concerned about proposals to strengthen the role of the Impact Assessment Board (IAB) (point 4). Current impact assessments typically fail to fully capture and quantify public benefits of new initiatives, whilst they already go to great lengths to quantify costs for the specific sectors concerned. Any change in the role of the IAB should be in the direction of restoring this imbalance and should not support a deregulatory agenda that endangers key social, environmental, health and safety benefits that have been acquired over previous decades.
- Alternatives to regulation are recommended (point 10). This usually results in self-regulation and voluntary commitments. Self-regulation should only be considered if key conditions are in place at the outset. These conditions include, but are not limited to: high binding standards, large industry take up, effective monitoring and inspection, robust sanctions in case of violations and real redress for victims. However, these conditions are only rarely fulfilled and there is plenty of evidence that these instruments most often do not lead to the desired outcomes. To give one example, voluntary transparency commitments of companies have not led to increased transparency and better risk management, but instead to a flood of sustainability reports that typically are of very little use to stakeholders.

At a time of acute financial and economic crisis – mainly resulting from a lack of institutional oversight in several economic sectors – intelligent and effective regulation is desperately

² <http://www.greenpeace.org/international/Global/international/planet-2/report/2006/5/toxic-lobby-how-the-chemical.pdf>

needed to help Europe's recovery and restore trust and confidence among citizens and business. A general, across-the-board plea for reducing the regulatory burden does not contribute to this and is not in the interest of Europe's citizens. We are therefore asking you not to support the 10 Point Plan.

We look forward to your response on this pressing matter.

Yours sincerely



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Transport and Environment
Director
On behalf of the Green 10



Monique Goyens
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