



Ms. Ebba Busch
Minister for Energy, Business and
Industry and Deputy Prime Minister
Ministry of Climate and Enterprise

Ms. Margrethe Vestager
Executive Vice-President and
Commissioner for Competition
European Commission

Dear Executive Vice-President,

Thank you for your letter on 13 January 2023 on the challenges that European Industry is facing today, including the US Inflation Reduction Act (IRA), and the need to strengthen its competitiveness. It is essential to press ahead with systematic and long-term efforts to improve European competitiveness and productivity with a view to decarbonize EU's economy.

While simplifications of the regulatory framework might be needed, to facilitate the deployment of clean technologies, this must be in line with WTO rules and based on thorough analyses. Both the effects of the IRA on European companies and of how various EU initiatives might play out need to be analysed, such as the Foreign Investment Regulation which only recently entered into force. Even though swift action is warranted, comprehensive impact assessments as well as public and stakeholder consultation on new initiatives are key to ensure that the measures taken in the short term do not risk having a negative effect on the EU's competitiveness in the long term. It also ensures that proposed measures focus on areas with the greatest added value for European citizens.

We take note of the European Commission's priorities and intention to put forward a consultation on a proposal to amend the temporary Crisis Framework into a Temporary Crisis and Transition Framework. Any revisions to the state aid rules should be preceded by a thorough analysis of how the IRA and possibly amended state aid rules will affect European companies, European indebtedness and inflation and also an analysis of the EU's existing state aid measures and competitiveness from a broader perspective. The EU and the US have long benefitted from strong trade relations built on mutual trust and respect for international institutions and

rules-based trade, and it is important to continue in that direction. The EU must seize possibilities for a closer cooperation with the US on green technology and climate issues.

When considering revision of the state aid rules, it is important to keep in mind that this framework has served the EU well and that the integrity of the state aid framework is central to the functioning of the Single Market. A well-functioning Single Market is a key tool to build EU resilience where favourable rules and the right investment climate for our companies will ensure that the EU stays a frontrunner of green and digital transition. Any fragmentation of the Single Market risks reducing our competitiveness and productivity. Consequently, it is important that short-term actions to mitigate the consequences of IRA do not jeopardise our competitiveness in the longer term.

Changes to the state aid rules must not affect the risk for distortions more than absolutely necessary while it also provides as much predictability and simplicity for the companies as possible. This should primarily be done by using existing structures and regulations in order not to risk adding to the companies' regulatory burden and further increasing the complexity of the state aid framework. In this context, the importance of ensuring faster processing of notified state aid measures must be emphasized, without risking the integrity of the state aid framework. Any measures implemented must therefore be based on thorough analysis, have broad support in the Union and have a specified end-date.

I also note all the work that the Commission has already done to facilitate for Member States to provide support to the green and digital transition. In this context, the upcoming revision of the General Block Exemption Regulation (GBER) is highly anticipated by many Member States who look forward to it being adopted as soon as possible.

Looking more long term, the situation at hand shows with all clarity that that we need a stronger focus on European competitiveness for the EU to take charge of its standing in the world economy. The anticipated strategy to boost European competitiveness and productivity that the European Council in December called on the Commission to table, will be a key initiative in this regard. The Swedish Presidency will try to make the most of it. Businesses have a long-term perspective, and they want clear and

predictable and competitive framework conditions. Ultimately, it is factors like this, that will decide where the future economic growth will take place.

I look forward to further discussions with you on these matters.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ebba Busch', with a long horizontal flourish extending to the left.

Ebba Busch