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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	<i>Preparation of the Competitiveness Council (Internal Market, Industry, Research) on 22 May 2025</i> Council as a red tape filter - how to achieve business-friendly regulations during the legislative process from its very beginning - <i>Policy debate</i>

Delegations will find attached a Presidency background note on ‘Council as a Red Tape Filter - how to achieve business-friendly regulations during the legislative process from its very beginning’ with a view to the policy debate at the Competitiveness Council on 22 May 2025.

DISCUSSION PAPER

Meeting of the Competitiveness Council

Brussels, 22 May 2025

*Council as a Red Tape Filter – how to achieve business-friendly regulations
during the legislative process from its very beginning*

In today's dynamic and complex global and European economy, reducing the regulatory burdens on businesses has become a critical priority for enhancing the European Union's competitiveness. Excessive and fragmented regulations increase compliance costs, create barriers to entry for new businesses, discourage businesses from trading cross-border and stifle innovation and growth. Addressing these challenges requires a joint effort by EU institutions and Member States to establish a legal environment that supports businesses, while achieving economic, social, and environmental objectives in a cost-efficient manner. Legislative proposals must prioritise competitiveness and economic viability from the very beginning.

In its conclusions of 20 March 2025, the **European Council** emphasized the need to simplify and drastically reduce, as a matter of urgency, administrative, regulatory and reporting burdens. It called for streamlined EU legislation that fosters a clear, simple, and innovation-friendly regulatory framework. Furthermore, it urged the European Commission and co-legislators to adhere to better regulation principles, avoid over-regulation, and ensure that small and medium-sized enterprises are not disproportionately affected.

Simplifying the existing regulatory framework is an urgent task. However, making sure that new regulations do not create unnecessary burdens for businesses is as important, especially in the long term. Rather than creating rules that will require simplification, the legislative process should result in establishing a regulatory framework that is business-friendly from the very beginning.

Despite longstanding commitments to better regulation and the existence of dedicated tools, some legislative provisions still end up imposing disproportionate burdens or costs. Business stakeholders have consistently raised concerns that substantial amendments, particularly those introduced towards the end of the legislative process, can disrupt entire business models and put EU businesses into a competitiveness disadvantage compared to non-EU ones. This trend not only undermines the EU's regulatory objectives but also highlights how the legislative process itself impacts on growing compliance costs and complexity, efficiency and legal certainty.

Against this backdrop, the idea of the Council acting as a “Red Tape Filter” captures the urgency of the role it can play to meet the expectations of the business community, as well as those of our leaders, who have specified regulatory simplification (and better regulation) as a clear priority. Rather than a formal proposal, this concept serves as a pointed reminder of how much current practice can be improved to meet these expectations and how essential it is to reverse this trend by actively identifying and eliminating unnecessary regulatory burdens throughout the whole legislative process. Ensuring that the Council effectively carries out this proposed task does not necessitate the introduction of new, revolutionary tools or strategies.

In fact, the Council already possesses a robust set of tools that can support the principles of better regulation. This includes a commitment to assess the impacts of the substantial amendments – even if they are last minute, in accordance with the Interinstitutional Agreement on Better Law-Making. It also involves the capacity to use the European Commission's impact assessments and the indicative check list to examine all the key aspects of the analysis, including impacts on SMEs and competitiveness (on the basis of the Commission's SME tests and Competitiveness checks), territorial and digital aspects. These steps guide the Council's legislative work, including its ability to conduct independent impact assessments in relation to its substantial amendments. By fully leveraging these existing capabilities, the Council can significantly enhance the quality of proposals, ensuring that they are more business-friendly without creating unnecessary additional burdens.

The Council could use its better regulation tools to a fuller extent and avoid overly complex rules that require later simplification. In this regard, a key question is what prevents the Council from using to a greater extent the tools already at hand and act as a “Red Tape Filter”. The main obstacles may include lack of definition of what a substantial amendment entails, lack of awareness of Council formations on the administrative burden and cost implications of their proposals, the perception that impact assessing an amendment may take long – this is especially problematic for last minute proposals, insufficient awareness of impact assessment procedures autonomous working structures, inconsistent application of better regulation rules, and limited collaboration across formations and working parties. In this regard, the COMPET Council could strengthen its role by providing input to other Council formations to reduce burdens and enhance competitiveness, fostering a business-friendly EU regulatory framework.

Meeting the commitments under the Interinstitutional Agreement on Better Law-Making is crucial. Simplifying and speeding up the process for assessing substantial amendments with a focus on business impacts or establishing some forms of dedicated institutional support for co-legislators could enhance consistency and reduce burdens of the EU law. This aligns with Mario Draghi's call to systematically measure legislative costs, especially for SMEs and mid-caps.

Improved coordination between co-legislators is also vital to prevent burdensome laws. A clear and early exchange to identify potential business impacts and align goals can streamline decision-making and reduce inconsistencies.

Question for discussion:

1. What are the key challenges preventing the Council from implementing better regulation principles to a fuller extent, and how can the Council effectively act as a Red Tape Filter to deliver tangible benefits for companies by fostering a business-friendly regulatory environment?