

# Kluwer Competition Law Blog

## A Competitiveness Compass for the EU

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The new European Commission (the “Commission”) has an ambitious mandate, with economic growth and competitiveness at its heart. On 29 January 2025, the Commission published a Communication entitled “A Competitiveness Compass for the EU” (“Compass”) to guide its work for the next five years.

The Compass outlines a strategic framework aimed at enhancing the competitiveness of companies in Europe by addressing innovation gaps, reducing regulatory burdens, and fostering a more integrated Single Market. It proposes measures to improve access to venture capital, streamline regulations, and promote skills development, thereby creating a more conducive environment for businesses to thrive and scale up within the EU.

The Compass is based on the imperatives set out in a [report](#) by Mario Draghi on the future of European competitiveness of September 2024 that calls for a reduction of the regulatory burden on EU companies to rekindle the competitiveness of the European economy.

In this spirit, the Compass lists priority actions to reignite economic dynamism across Europe. It outlines three core areas for action to boost competitiveness – innovation, decarbonisation and security. For indeed, the “next years’ North Star must be the renewal of Europe’s competitive strength.”

### Closing the innovation gap

The first action point is closing the innovation gap and “revive the innovation cycle”. Market fragmentation, risk capital constraints, and insufficient innovation support are problems for starting and scaling up companies in Europe. European start-ups have difficulties developing in Europe due to persisting regulatory barriers and limited access to venture capital and other forms of risk capital. Patents are not sufficiently exploited commercially.

A new “EU Start-up and Scale-up Strategy” will address the obstacles preventing new companies from emerging and scaling up. The Commission will also focus on increased R&D spending to accelerate the “diffusion of innovation”, and on investments in state-of-the-art digital infrastructure. New initiatives such as “AI Gigafactories” and “Apply AI” will drive the development and industrial adoption of AI in key sectors. The Commission will introduce action

plans for innovation in tech sectors such as advanced materials, quantum technologies, biotech, robotics, and space technologies.

### **A joint roadmap for decarbonisation and competitiveness**

The second action point is a joint roadmap for decarbonisation and competitiveness. Europe's goal is to become a decarbonised economy by 2050. However, Europe currently relies on fossil fuel imports for almost two thirds of its energy, leading to high energy prices. This dependence can be reduced over time by increasing the share of energy produced from decarbonised sources within Europe.

In the short term, some components of energy prices can be reduced. Europe needs to develop lead markets and policies that reward early movers, shifting the economy towards clean production and circularity. It must invest in its energy network and infrastructure and accelerate investments in storage systems. Initiatives such as the [Clean Industrial Deal](#) will aim at investing in decarbonization while securing the EU as an attractive location for manufacturing, particularly for energy intensive sectors such as steel, metals and chemicals.

### **Reducing excessive dependencies and increasing security**

The third and final action point concerns reducing dependencies and increasing security. Europe is open to trade, and trade will be key to its future growth. However, companies will not make long-term investments if they face uncertainty about the security environment. The conclusion of negotiations for the EU-Mercosur Agreement and the EU-Mexico Global Agreement demonstrates that beneficial trade can be coupled with creating a level playing field, reciprocity, and increased economic security.

Therefore, Europe must continue to adapt its offerings and seek new ways to deepen partnerships and create benefits for our businesses. The EU also needs policies and investments to ensure its economic security and minimize dependencies of e.g., critical raw materials and active ingredients for critical medicines which are essential for public health. Clean Trade and Investment Partnerships will help secure the supply of raw materials, clean energy, sustainable transport fuels, and clean technology from around the world. Within the internal market, the review of public procurement rules will introduce a European preference in public procurement for critical sectors and technologies.

To achieve the above, the three action points will be supported by five “horizontal enablers for competitiveness”:

1. Simplifying the regulatory environment, reducing burden and favouring speed and flexibility. This enabler requires all EU, national, and local institutions to create simpler rules and coordinate efforts to reduce regulatory and administrative burdens. The simplification process will begin with the Commission, which will introduce the first in a series of Simplification Omnibus packages aimed at simplifying sustainability reporting, due diligence, and taxonomy.
2. Fully exploiting benefits of scale offered by the Single Market by removing barriers. Over the past 30 years, market integration has suffered due to the EU's inaction. To improve the

functioning of the Single Market, a Horizontal Single Market Strategy will modernise the governance framework, remove intra-EU barriers, and prevent the creation of new ones. Standard-setting processes will be faster and more accessible, particularly in key technology markets, such as 5G and 6G telecommunications, AI, renewable energy technologies, and electric vehicle charging infrastructure.

3. Financing through a Savings and Investments Union and a refocused EU budget. The EU currently lacks an efficient capital market to convert savings into investments. The [Strategy on a Savings and Investments Union](#) will mobilize capital for EU projects. The Commission will focus on (i) enhancing the potential of private and occupational pensions and channelling savings into the economy, and (ii) removing barriers to the market-driven consolidation of financial market infrastructure.
4. Promoting skills and quality jobs while ensuring social fairness. Europe's competitiveness is rooted in its people. To enhance Europe's competitiveness, effective social policies are essential. All citizens must be able to contribute to and benefit from improvements in competitiveness. The Commission will present an initiative to build a Union of Skills, focusing on (i) investment, adult and lifelong learning, future-proof skills creation, skill retention, fair mobility, attracting and integrating qualified talent from abroad, and (ii) the recognition of different types of training to enable people to work across the EU.
5. Better coordination policies at EU and national level. The Commission will introduce a new Competitiveness Coordination Tool aimed at ensuring that industrial and support policies are deployed jointly across Europe, and that Member States take joint action on common competitiveness priorities in selected key areas and projects of strategic importance. These areas could be energy and transport infrastructure, digital infrastructure and AI, biotechnology, and other key manufacturing capacities (e.g., for critical medicines).

The current geopolitical and trade rivalries lay open the current state of competitiveness in Europe, which is at a tipping point. The window of opportunity for action is narrow. The Compass soberly concludes what has become increasingly clear in the last few years: "The EU must choose to act in unison for a future of sustainable prosperity for all or accept division and economic decline."

### **Impact on antitrust enforcement**

The Compass will impact antitrust enforcement.

The Commission is calling upon itself to strengthen, simplify, target, and speed up enforcement. It would like to ensure a coherent approach conducive to overall EU objectives, in particular to closing the innovation gap, addressing the need for efficient scale where relevant, and supporting the decarbonisation of EU industry.

Amongst others, the Commission will:

- Revise its guidelines for assessing mergers, to ensure that innovation, resilience and investment in certain strategic sectors are properly considered in light of the European economy's acute needs.
- Review the [Technology Transfer framework](#) to ensure that companies have clear, simple and up-to-date rules for procompetitive technology licensing agreements to facilitate technology dissemination, incentivise R&D, and promote innovation.

- Continue to enforce the Digital Markets Act (DMA) to open up closed ecosystems and enable innovative businesses to propose new digital services to customers (see our article on the adoption of the [DMA](#)).
- Rigorously enforce the Foreign Subsidies Regulation (FSR) to combat unfair competition (see our [latest article](#) on the FSR).

## Outlook

The Compass has been met with both praise and criticism. It undeniably sets forth ambitious and necessary objectives. However, some experts argue that it lacks clarity in prioritizing certain goals over others and necessitates making real trade-offs.

Critics have also pointed out that the Compass does not come with a specific budgetary proposal to ensure the companies' ability to secure better and faster financing. This omission is somewhat expected because the Compass aims primarily at deregulation and simplification to encourage private investment. Therefore, the success of the Compass will largely be judged on how effective the regulatory changes will be.

The coming months of the new Commission will be critical in view of the guide provided by the Compass. The EU currently has numerous recent regulations, bills and initiatives that may be deemed to run counter to the objectives of the Compass. The Commission has already announced that it will publish on 26 February 2025 its “omnibus package” proposal to simplify the requirements under the Corporate Sustainability Reporting Directive 2022/2464 (CSRD), the Corporate Sustainability Due Diligence Directive 2024/1760 (CSDDD/CS3D), and the EU Taxonomy Regulation 2020/852 (Taxonomy Regulation) with the aim of reducing the administrative burden on companies.

This is a quick first move towards attaining the “simplification” target, but it remains to be seen how quickly the Commission can transpose all other objectives into concrete actions. Speed will be much needed to alleviate the regulatory hurdles of doing business in Europe and reinvigorate the European economy.

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