

Competitiveness Compass

Summary

On 29 January the European Commission has presented the “Competitiveness Compass”, as a response to the Letta and Draghi reports.

It offers a **roadmap for the next years** that supports **innovation, decarbonization, and technological leadership** while simplifying regulatory barriers.

Hereafter some key takeaways of major interest for LightingEurope’s members.

INNOVATION-LED PRODUCTIVITY

The EU aims to close its innovation gap, particularly in comparison to the US and China, by fostering start-ups, increasing private sector R&D investment, and improving conditions for scale-ups. A Start-up and Scale-up Strategy will address market fragmentation, regulatory complexity, and access to risk finance. The EU also plans to boost **deep-tech and cutting-edge technologies** (AI, quantum computing, clean energy technologies, advanced materials) through targeted investment and regulatory support. To enhance the overall environment for innovation, the Commission will introduce a **European Research Area Act** aimed at boosting R&D investment to reach the 3% GDP target. The Act will prioritize research support in key strategic areas, strengthen alignment between EU and Member States' funding priorities, and promote the mobility of knowledge and talent across Europe.

SIMPLIFICATION AND COORDINATION

Regulatory complexity and administrative burdens hinder investment. The Commission plans to **cut red tape**. A "**Simplification Omnibus**" proposal will streamline regulations in the fields of sustainable finance reporting, sustainability due diligence and taxonomy. A new **Competitiveness Coordination Tool** will align EU and national industrial policies to maximize impact, starting from a few selected areas with clear added value to EU competitiveness, as pilot cases (e.g. electricity grids and storage, digital infrastructure). A **new definition of small mid-caps** will be proposed next month. Bigger than SMEs but smaller than large companies will benefit from tailored regulatory simplification in the same spirit as SMEs. The **revision of the REACH Regulation** will aim to ease the burden on the ground and ensure faster decision-making on important hazards. A new **SME and competitiveness check in impact assessments** will become a stronger filter for new initiatives. The Commission will continue to work towards more **harmonised implementation and enforcement**.

CLEAN INDUSTRIAL DEAL

To maintain industrial competitiveness while achieving decarbonization goals, the EU will launch a **Clean Industrial Deal**, integrating energy, industry, and trade policies. Key measures include:

- Affordable Energy Action Plan to lower industrial energy costs
- Decarbonization incentives (e.g., contracts for difference, demand aggregation)
- State aid flexibility for energy-intensive sectors (steel, chemicals, cement)
- **Review of the Carbon Border Adjustment Mechanism (CBAM)** to prevent carbon leakage and unfair competition
- Strategic dialogue on the automotive sector to support its transition

Regarding **Clean tech and decarbonised manufacturing in the EU**, the Clean Industrial Deal aims to align various policy tools. These include streamlined permitting processes, industrial policy incentives, reformed public procurement rules, and trade defense measures. Policy interventions will be tailored to the needs and market outlook, focusing on key decarbonization technologies, emerging sectors such as electrolysers, and areas where domestic production is at risk due to unfair international competition, non-transparent subsidies, or overcapacity issues.

CIRCULAR ECONOMY

A **Circular Economy Act** will promote recycling, reduce raw material dependency, and boost remanufacturing. This will be accompanied by the roll-out of Eco-design requirements on important product groups.

REDUCING DEPENDENCIES

The EU seeks to **reduce strategic dependencies**, particularly of relevance for us, in **critical raw materials** by promoting diversification, stockpiling, and reshoring key industries. A **joint purchasing platform for critical raw materials** will improve supply security, while **trade agreements and industrial policy tools** (e.g., Foreign Subsidies Regulation) will help level the playing field.

UNFAIR COMPETITION

The EU will **strengthen trade defense tools** to counter unfair competition, particularly from state-subsidized non-EU industries. A **revision of public procurement rules** will introduce a European preference for critical technologies, ensuring EU businesses remain competitive.

STANDARDISATION

To enhance technological leadership, the EU will **accelerate standard-setting processes**, particularly in digital, AI, and clean technologies. Engaging in **global standardization efforts** will ensure EU interests shape the regulatory landscape.

FINANCING COMPETITIVENESS & MFF

The EU faces a major investment gap (~€750-800 billion per year). The **Savings and Investment Union** will mobilize private capital, reduce market fragmentation, and improve risk financing. The **next Multiannual Financial Framework (MFF)** will focus EU budget

resources on competitiveness through a **European Competitiveness Fund** to support strategic technologies and manufacturing.

SKILLS & WORKFORCE

The EU aims to **align education and training with market needs**. A **Union of Skills** initiative will promote STEM education, vocational training, and skills recognition across Member States. Measures will also address labor shortages, skilled migration, and the impact of demographic changes.

DIGITAL

The European Commission is set to introduce legislation establishing baseline standards for cloud computing across the continent through the **EU Cloud and AI development Act**. The EU is also working on a **Data Union Strategy** to streamline regulations and develop collaboration between sectors, particularly on AI.

MAIN UPCOMING FLAGSHIP ACTIONS

- Omnibus simplification and definition of small mid-caps [26/2/2025] - *legislative*
- Clean Industrial Deal and an Affordable Energy Action Plan [Q1 2025] - *legislative and non legislative*
- MFF, including Competitiveness Fund [2025] and a Competitiveness Coordination Tool - *legislative and non legislative*
- Union of Skills [Q1 2025] - *non legislative*
- New State Aid Framework [Q2 2025] - *legislative*
- Joint purchasing platform for Critical Raw Minerals [Q2-3 2025] - *legislative and non legislative*
- Single Market Strategy [Q2 2025] - *non legislative*
- Chemicals industry package, including REACH Review [Q4 2025] - *legislative*
- Carbon Border Adjustment Mechanism Review [2025] - *legislative*
- Circular Economy Act, including WEEE Review [Q4 2026] - *legislative and non legislative*
- Revision of public procurement [2026] - *legislative*
- Revision of the Standardisation Regulation [2026] – *legislative*