

## Opinion on the Annual Burden Survey 2022

RegWatchEurope, RWE, welcomes the 2022 Annual Burden Survey report and the ongoing commitment of the European Commission to reduce the regulatory burden of European legislation, especially in the current challenging economic and geopolitical context. The introduction of the 'one in, one out' approach, which in 2022 has seen its first year of full application, has increased focus on the quantification of costs and benefits and is an important step towards achieving tangible burden reduction for citizens and businesses. RWE welcomes the inclusion of one-off administrative costs in the offsetting mechanism.

Administrative costs, however, constitute only one aspect of the total impact of EU legislation. Broader direct compliance costs can far outweigh the administrative burden and can have far reaching consequences, especially for businesses. For the ten proposals with the highest net administrative cost in the reporting period the recurring net direct compliance costs, according to the respective impact assessments, amounted to over EUR 27 billion. This figure is considerably higher than the total net administrative cost of these ten proposals (EUR 4,4 billion) and it more than offsets the expected net 'out' of EUR 7,3 billion.

In addition, European businesses can face considerable direct compliance costs even when no administrative costs are expected (one such example is the proposal for a Directive on Corporate Sustainability Due Diligence, where the impact assessment identifies recurring direct compliance costs to businesses of at least EUR 1,7 billion). The direct link between the total costs to businesses and overall business competitiveness of the EU cannot be stressed enough.

RWE therefore reiterates its call to further develop the 'one in, one out' approach and include all direct compliance costs and savings in the offsetting mechanism. While identifying and offsetting administrative burdens is an important first step and should remain a priority, the credibility of the 'one in, one out' approach depends on it reflecting the full extent of costs faced by citizens and businesses.

More effort should also be put into identifying offsetting measures. Currently around 90 percent of the expected total administrative cost savings of EUR 11,8 billion can be attributed to two proposals: The Interoperable Europe Act and the VAT in the Digital Age package. While there is no doubt that improved public sector interoperability can generate considerable savings, only the latter proposal

results in the elimination of concrete administrative obligations. More such measures are needed in order to contribute to a tangible burden reduction. In addition, where savings are expected to result from EU-wide harmonisation of obligations rather than from removing or simplifying them, the report should be more transparent about the assumptions behind such estimates.

Removing or simplifying obligations should also play a more central role in compensating adjustment costs. While the various instruments, i.e. funds, outlined in the report are of crucial importance to European businesses, they should not be seen as a replacement for concrete measures to reduce these costs.

RWE therefore welcomes the 25 percent burden reduction target for reporting requirements and especially the measures announced as part of the 2024 Commission Work Programme. As the work programme clearly states that the burden reduction objective is targeted at both administrations and businesses, RWE would like to see a more transparent and clear division of what share is attributed to each of the target groups. The identification and implementation of burden reduction measures should be an ongoing activity and the progress towards achieving the target should become an integral part of future editions of the Annual Burden Survey Report.

Finally, as the Commission also underlines in the report, it is crucial that the co-legislators and member states share the responsibility of burden reduction objectives in negotiations and in the implementation and enforcement phases.