

On 29 January 2025, the European Commission (EC) published a much anticipated [Communication on a Competitiveness Compass](#) for the EU (the Communication). The Communication formally outlines the EC's economic policy strategy for the 2024-2029 legislature (though it has no binding force) and serves as the key guiding principle for various new EU activities focused on increasing competitiveness. On 11 February, the EC published its annual [Work Programme](#) for 2025 (the 2025 Work Programme).

The Communication uses a three-pillar structure, each addressing an overarching economic policy objective. Additionally, the Communication provides for "horizontal enablers" applicable across all three pillars. For all three pillars, and the horizontal enablers, a calendar of specific new policies/legal initiatives to be introduced by the EC is provided (each will individually have to follow the appropriate EU legislative procedure). All in all, the EC deems the competitiveness compass to be "a new approach to competitiveness" combining "industrial policies, investment and reforms".

The 2025 Work Programme sets out the key new policy and legislative initiatives that the EC intends to adopt in the year ahead (i.e. its general immediate priorities, as opposed to the longer-term and economic focus of the Competitiveness Compass). It is accompanied by a series of annexes providing a calendar for the new initiatives and other EC activities.

In this client alert, we examine the proposed content of the three pillars and the horizontal enablers of the Competitiveness Compass, as well as that of the 2025 Work Programme. We conclude with a timeline of all economic policies proposed for the 2025-2026 period.

## Pillar I – "Closing the innovation gap"

The first pillar of the new EU economic policy strategy is aimed towards "closing the innovation gap" with the US and China. To do so, the EC outlines four approaches.

First, the EC will facilitate company creation and development in the EU. To that extent, it addresses financial shortcomings of the EU's business environment, legal complexity associated with the number of legal systems in the EU (e.g. through an optional 28th EU-wide uniform legal regime) and focus on measures to boost research and development.

Second, the EC wants the EU to improve its standing in key technologies, (e.g. artificial intelligence (AI), semiconductor and quantum technologies, advanced materials, biotechnologies, clean energy, robotics, space technologies, and connected and autonomous mobility). In particular, the Communication describes a focus on computing, cloud and data infrastructures for AI. AI factories shall make European computing power available to start-ups, researchers and industry to develop AI models. Quantum technologies are a particular focus.

Third, the EC will seek to prioritise sectors likely to spur economic growth overall. It singles out life sciences, biotechnology, advanced materials and space technologies. A new approach to EU competition policy (e.g. through revised merger guidelines) shall help companies to grow in global markets.

Fourth, the EC wishes to spread innovation across the economy. To that extent, the Communication proposes that AI be extended to strategic sectors of historical European strength, including the automotive sector, energy, robotics, pharmaceutical and aeronautics and financial services. Public services are also identified as improvable through AI and digitalisation. Finally, upgraded digital infrastructure (e.g. fibre networks or investments in 6G and cloud computing) will be supported via a new EU Digital Network Act.

## Pillar II – "A joint roadmap for decarbonisation and competitiveness"

Concerning the path to decarbonisation, the EU will maintain its objective of becoming a decarbonised economy by 2050, including the intermediate 2040 target of 90%. The overarching Clean Industrial Deal initiative (to be presented on 26 February 2025) aims to make the EU attractive to manufacturing, while at the same time promoting clean tech and circular business models.

In terms of specific policies, the EC first wishes to support affordable energy supply via a proposed new Affordable Energy Action Plan.

Second, clean manufacturing should also receive assistance (including through measures to support low-carbon products, such as demand-side incentives and supply-side state aid). The Communication calls for special attention and policy support to energy-intensive sectors, which should be the subject to sector-specific actions plans (e.g. steel, automotive and chemicals) and improved protection against so-called carbon leakage. The EC also focusses on mobility and technology neutrality, with particular focus on the automotive sector.

Thirdly, the EC wishes to emphasise circular economy policies to achieve resource efficiency and improved material circular use.

## Pillar III – “Reducing excessive dependencies and increasing security”

Regarding self-reliance and security, the the EC focuses on security and open strategic autonomy (i.e. a capacity to cooperate with third countries while being able to go alone when needed) in the context of EU economic policy. To do so, the EC emphasises interconnections with trade partners, supply chain diversity and key partner alliances. This is organised around three axes.

First, the relationship between trade and economic security. The EC considers that effective and varied partnerships with third countries are key to reducing EU dependencies. To that extent, the EC seeks the conclusion of new trade agreements, as well as specialised agreements (digital, sustainable investment facilitation, Clean Trade and Investment partnerships, etc.).

Second, the Communication addresses “unfair competition” by seeking to “level the playing field”. To that extent, the EC calls on the EU to use tools at its disposal, such as trade defence instruments (e.g. antidumping and countervailing duties) and the Foreign Subsidies Regulation. More assertive international economic policy is also set out to address “unfair competition and global output overcapacities”. This should be combined with EU-side policies such as the joint purchase of critical raw materials.

The third axis provided by the Communication relates to the defence industry, security and “preparedness”. The EC wishes to upscale the EU defence industry by supporting EU Member States in jointly investing more in European defence projects (e.g. joint procurement). The Communication also highlights the role of public/private alignment and climate adaptation.

## The “horizontal enablers”

The Communication sets out “horizontal enablers” aimed at encouraging competitiveness across all sectors of the economy (instead of the more targeted approach of the three pillars).

The five proposed horizontal enablers pursue:

- Simplifying the regulatory environment (including by amending existing EU legislation to reduce the regulatory compliance burden on industry). A series of “Simplification Omnibus” packages will seek to simplify reporting and other compliance rules, and a new definition of small mid-cap firms shall also bring further compliance relief.
- Removing barriers on the EU Single Market.
- Pushing for an “EU Savings and Investments Union” to support the financing of this industrial reform process and utilising the EU household’s high saving rates.
- Developing digital and other relevant skills in the population.
- Improving policy coordination between the EU and national level through a Competitiveness Coordination Tool.

## The Commission Work Programme

As it is limited to 2025, the Work Programme provides a shorter-term overview than the Competitiveness Compass.

The 2025 Work Programme is mainly articulated around two EC immediate priorities.

First, the EC plans to carry out rule simplification in 2025. To that extent, it highlights the importance of the omnibus proposals to streamline and simplify sustainability reporting, sustainability due diligence and taxonomy, as well as to create a new category of small-mid caps that will benefit from presumably reduced requirements. The EC also wants to accelerate the digitalisation of the regulatory environment. All in all, this first priority appears strongly connected to the horizontal enablers of the Competitiveness Compass, which appear to be the EC’s absolute priority.

Second, the EC wishes to focus on delivering a “plan for European strength and unity”. This makes up the majority of the 2025 Work Programme, and is articulated around seven axes:

1. **Kickstarting the EU’s “sustainable prosperity and competitiveness” agenda** – This axis is closely aligned with the Competitiveness Compass in general.
2. **Focusing on European defence and security** – While this axis is related to Pillar III of the Competitiveness Compass, it also describes priorities that are more geopolitical than purely economic. As such, the 2025 Work Programme expands the Competitiveness Compass by illustrating the political context of the EU’s attempt to reduce its dependencies and increase its security.
3. **Strengthening the EU social model** – The EC wishes to focus on supporting the EU’s social model through an action plan for the implementation of the European pillar of social rights. It also wants to emphasise consumer protection.
4. **Supporting quality of life** – The EC notably wants to amend the EU farming framework and address ocean protection.
5. **Protecting EU democracy and upholding its values** – To that extent, the EC wants to take initiatives aimed at protecting democratic standards and ensuring women’s rights.
6. **Leveraging EU power and partnerships toward a “global Europe”** – The EC wants the EU to be more assertive in pursuing its strategic interests, inter alia around the Mediterranean, in cooperation with India and through the Global Gateway worldwide infrastructure projects initiative.
7. **Preparing the EU for the future** – Importantly, the EC will present a new long-term budget in 2025 (i.e. the EU Multiannual Financial Framework), which should be ready for 2028.

The annexes to the 2025 Work Programme include a 2025 calendar of new initiatives (Annex I, see timeline below), a plan of evaluations and fitness checks to be carried out by the EC in 2025 (Annex II) and an overview of EC legislative proposals pending adoption (Annex III), as well as a list of EC legislative proposals being withdrawn (Annex IV) and a list of envisaged repeals of EU legislation (Annex V).

## Policy Timeline Overview

Based on the above, the EC is proposing a non-exhaustive list of planned initiatives under each of the pillars, as well as horizontal enablers. Most initiatives will take the form of dedicated legislative proposals by the EC. Applicable EU legislative procedures may vary in function of the legal basis chosen for a given initiative. The core initiatives in the next two years are as follows:

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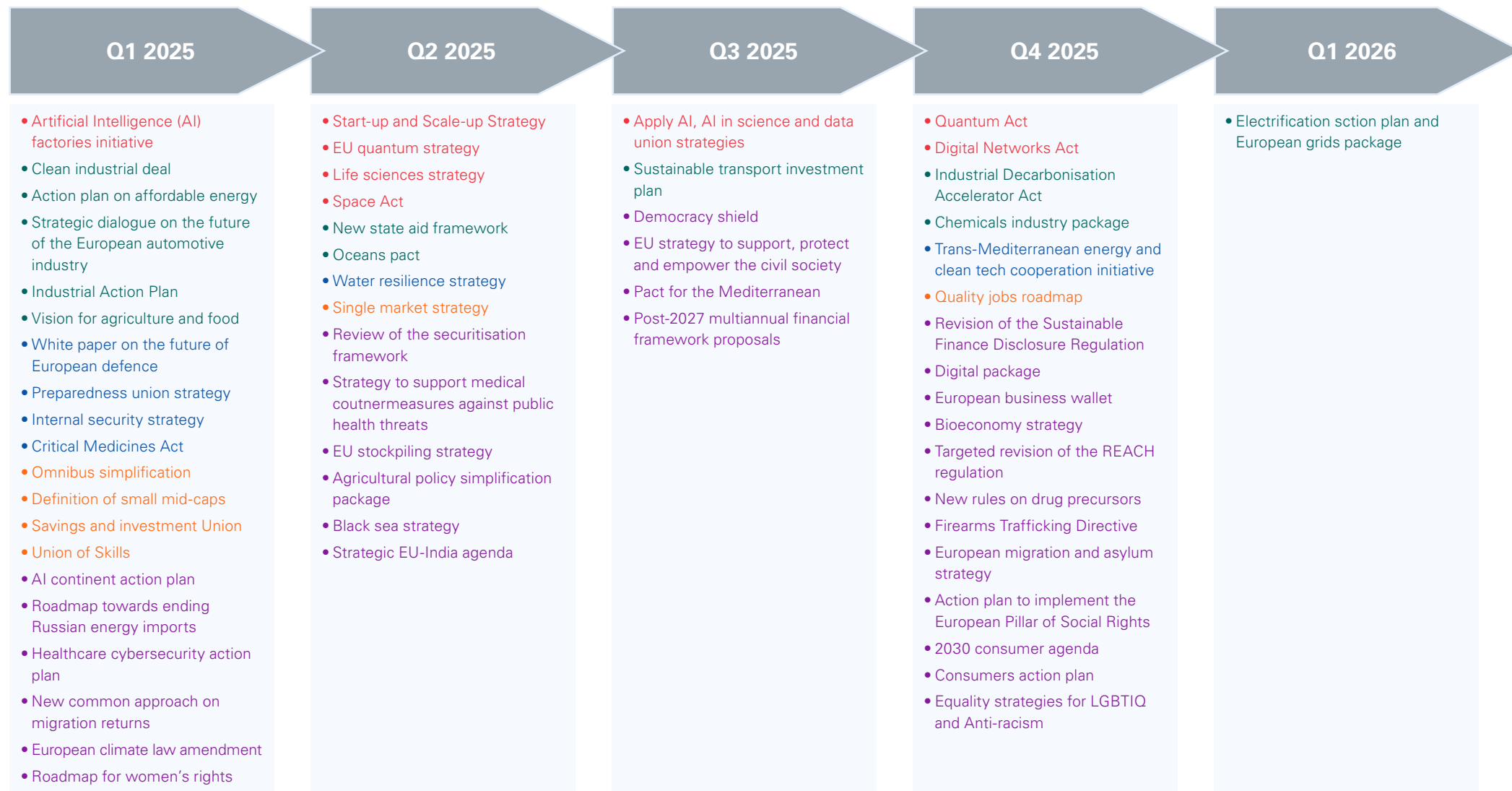
Pillar 1 in **red (Innovation Gap)**

Pillar 2 in **green (Decarbonisation & Competitiveness)**

Pillar 3 in **blue (Economic Security)**

Horizontal enablers of competitiveness in **orange**

Other new initiatives included in Annex I to the 2025 Work Programme in **purple**



Initiatives in other timelines:

2025	Q2 – Q3 2025	Q4 2025 – Q1 2026	2026	Q4 2026	Without date
<ul style="list-style-type: none"><li>• Steel and metals action plan</li><li>• European port strategy and industry maritime strategy</li><li>• High speed rail plan</li><li>• Carbon border adjustment mechanism review</li><li>• Next MFF, including a competitiveness fund and a competitiveness coordination tool</li></ul>	<ul style="list-style-type: none"><li>• Joint purchasing platform for critical raw minerals</li></ul>	<ul style="list-style-type: none"><li>• 28th regime</li><li>• European innovation Act</li><li>• EU Cloud and AI Development Act</li></ul>	<ul style="list-style-type: none"><li>• European Research Area Act</li><li>• Advanced Materials Act</li><li>• Revision of directives on public procurement</li><li>• European climate adaptation plan</li><li>• Revision of the standardisation regulation</li><li>• Skills portability initiative</li></ul>	<ul style="list-style-type: none"><li>• Circular Economy Act</li></ul>	<ul style="list-style-type: none"><li>• Review of horizontal merger control guidelines</li><li>• Conclude and implement trade agreements, clean trade and investment partnerships</li><li>• An EU fit for enlargement: policy reviews and reforms</li></ul>





## Next Steps for the EC

Improved competitiveness is perhaps the foremost objective of the EC's economic agenda for the 2024-2029 legislature. In the Communication, the EC sets out its plan to achieve it. In so doing, it outlines policy centred on encouraging innovation, decarbonisation, reducing external dependencies and security. Additionally, the EC announces "horizontal enablers" aimed at leveraging competitiveness throughout the economy.

To operationalise the "Competitiveness Compass," the EC announces a series of legislative proposals, most of which should be introduced within the next year. Among the key initiatives highlighted, is the first Omnibus Simplification proposal aiming to simplify the sustainability reporting requirements for companies, that has gathered high political interest. Despite details of the forthcoming law currently being scarce and vague, it could be indicative of a large deregulation effort by the EC going forward. The success of the broader legislative proposals stemming from the Competitiveness Compass will need the support of the EU Parliament and in particular of the 27 Member States to succeed. Owing to their number and stated ambition, such policies could potentially have an important effect on the EU economy (and its security), as well as that of other countries around the world.

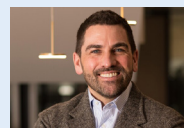
The "Competitiveness Compass" draws inspiration from the Draghi Report, presented to the EC by the former Italian Prime Minister in September 2024. The Draghi Report was widely welcomed and credited with a cogent analysis of the EU's economic challenges. However, the success of the Compass will depend on the EC's ability to create a broad consensus behind the individual elements to be able to drive them through.

## How We Can Help

We live in geopolitically turbulent times, and Europe is seeking to redefine its role at global level, as well as stepping up its game in order to be able to safeguard its unique social market economic model. The compass laid out above leads to an impressive number of new EU policies which will affect all market operators active in the EU Single Market. There will be new challenges to be overcome, but there will also be a lot of EU level investments in key industries, as well as a softening of the existing EU regime (e.g. state aid; de-regulation).

The Public Policy team, working alongside the various Practice and Industry Groups (e.g. on Automotive; Chemical sector), are experts in helping clients navigate through this maze of EU challenges and opportunities. We help clients prepare for what is coming, and we also assist them to successfully engage with the various policy debates taking place at EU and national level. Now is the best time to step up your efforts to ensure the future EU regime is as business enhancing as possible. We can support you on this journey, and to address all related question and other needs you may have. Please do not hesitate to reach out to any of the authors listed.

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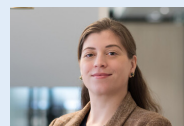


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