

Prague, 13 March 2025

Dear Madam President,

On behalf of the two leading representatives of entrepreneurs, companies, employers, and employees in the Czech Republic, we are writing to you to express our longstanding concerns about Europe's current economic situation. This includes worrying forecasts regarding the European Union's climate protection and decarbonization efforts, and the inevitable deindustrialization that will result. We had hoped the new EU "Clean Industrial Deal" would reflect a sensitivity to today's changing global landscape, real-world opportunities and context. Unfortunately, the final product has failed to provide a realistic assessment of Europe's current state and future potential.

The only good news is that Europe is partly beginning to realize the gravity of the situation. However, the proposed Clean Industrial Deal appears to be yet another ineffective iteration of the European Green Deal. This new plan maintains an unrealistic commitment to reduce CO2 emissions by 90% by 2040 and achieve carbon neutrality by 2050. In this regard, the Clean Industrial Deal cannot be seen can only be interpreted as a resignation to the demise of industry in the EU.

The Clean Industrial Deal fails to introduce novel solutions, instead maintaining the existing trajectory. It does not tackle the key drivers of competitiveness that could lower energy costs for all, but rather encourages governments to absorb some of the costs within national budgets, thereby increasing the risk of "subsidy races".

The European Commission currently lacks a clear, cohesive economic and industrial strategy to position the EU for the intensifying global power struggle. To bolster the EU's defence capabilities and expand its armaments capacity, a robust European industrial base is required. However, this must be achieved in a manner that minimizes unit costs, ensuring the project's efficiency and social acceptability.

However, the EU's current environmental policy increases the costs of key inputs – such as steel, chemical raw materials, and necessary engineering processes – for this effort. As a result, it would be more profitable to build supply chains abroad, which would be highly vulnerable to disruptions in the event of rising tensions. The Commission's proposals fail to adequately address the need for enhanced security and autonomy for Europe.

Moreover, the energy proposals presented completely disregard the need for intricate support mechanisms for non-renewable energy sources. In contrast, stable, weather-independent sources form the foundation of energy security. This encompasses new nuclear and gas sources, as well as coal

sources. Furthermore, there is a discrepancy in the treatment of countries that have historically been eligible for capacity payments for coal sources, versus countries such as the Czech Republic, where such mechanisms are no longer viable.

The impact of key EU initiatives, such as the European Green Deal, Fit for 55 and the EU ETS 2, on entrepreneurs, companies and industry has long been overlooked. These policies have failed to quantify their effects on different social groups within the European Union. Despite the billions of euros spent on promoting social cohesion, we are now disregarding the threats posed by the potential its disruption and breakdown of this cohesion.

Europe's gradual loss of competitiveness compared to the USA, Asia, and other regions, coupled with the inevitable deindustrialization of the continent, will result in the loss of millions of jobs and widespread social upheaval.

We believe that a comprehensive revision of key policy documents, including the European Green Deal, Fit for 55, ETS I, and ETS II, and related targets is essential. Rather than ineffective subsidies and burdensome bureaucratic requirements for businesses, the priority should be removing obstacles to fair and open competition. Equally vital is safeguarding Europe's energy and raw material security, while creating space for innovative and technologically viable solutions.

Madam President, the millions of Czech citizens we represent are deeply concerned about the future of Europe for the next generation. Their fears, criticisms, nervousness, and anxiety reflect this strong voice and feedback that we ask you to give sufficient attention.

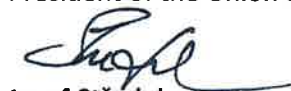
We therefore urge you to start without delay a constructive dialogue and negotiations with the social partners, not only from the Czech Republic, in order to address the irreversible and Europe-threatening changes.



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President of the Confederation of Employers' and Business Associations of the Czech Republic

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Josef Středula

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