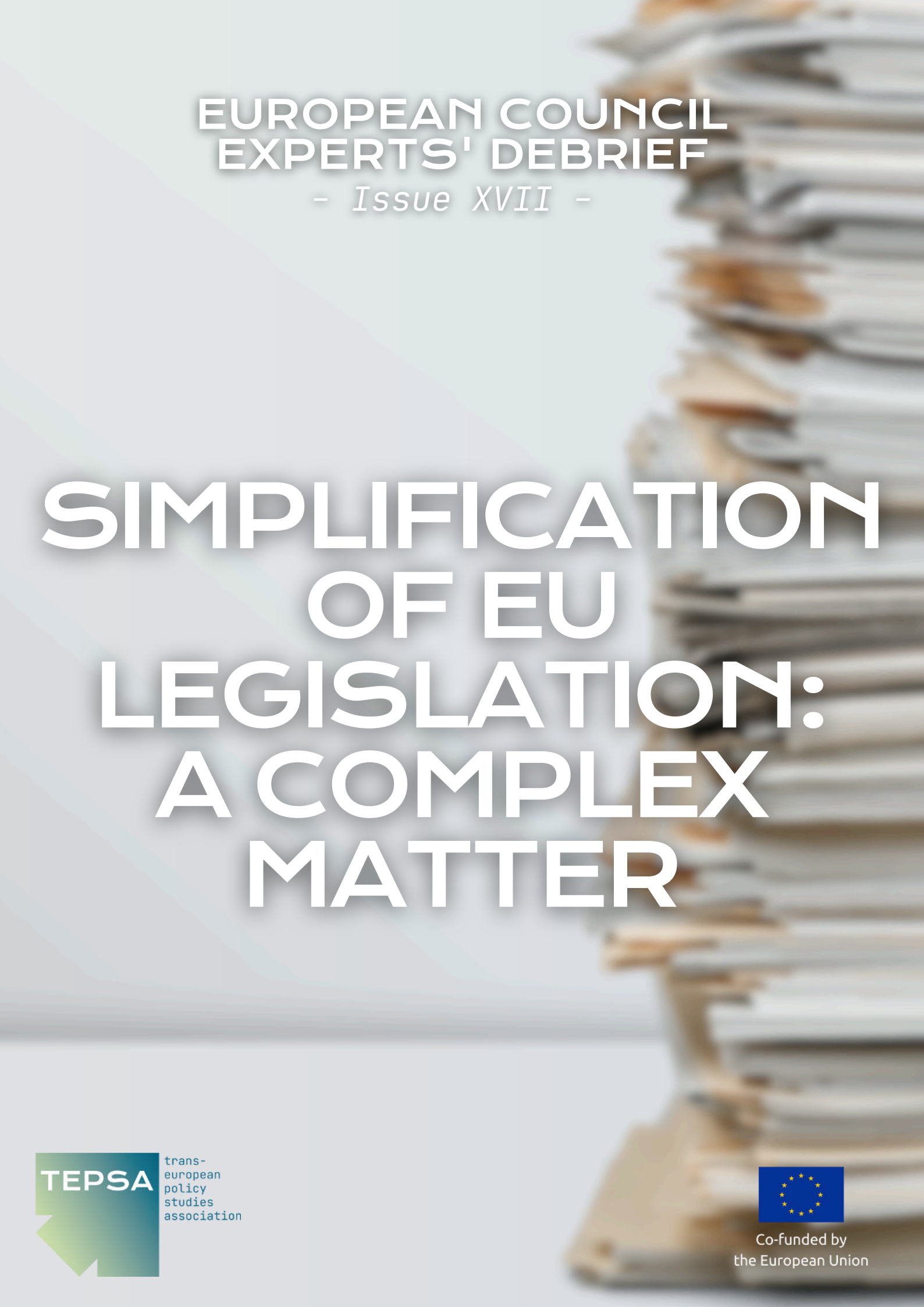
EUROPEAN COUNCIL EXPERTS' DEBRIEF

- Issue XVII -

SIMPLIFICATION OF EU LEGISLATION: A COMPLEX MATTER



TEPSA trans-european policy studies association

Co-funded by the European Union

Foreword

Jim Cloos
Secretary-General
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In the context of the debate over regulatory simplification, the European Union (EU) is confronted with a major dilemma: how to reconcile the need to protect the competitiveness of European operators with the fundamental values of the EU. Sometimes, it feels as though the EU is damned if it does and damned if it does not. How do you see the debate on the Omnibus legislation proposed by the Commission?

This is the question we addressed to 13 experts from our network and beyond. I thank them very warmly for having responded with such insight and talent. When reading the contributions, I was struck by an interesting phenomenon. Over the past years, when the EU was adopting the legislative texts on the Green Deal and the digital area, there was widespread criticism about over-regulation, complexity, and burdens imposed on citizens and enterprises. The Letta and Draghi reports saw a direct link between the lack of competitiveness and complex regulation.

The EU seems to have heeded the criticisms and has embarked on a major simplification exercise. But the latter is now also facing considerable pushback. Most of the experts consulted here are critical of the way the issue is being managed. My initial reaction was to brush aside the complaints as being characteristic of the typically European "constant utterance of self-criticism."[1] But after reading the contributions, I confess to being more doubtful now, because the arguments produced are weighty and well-put.

It turns out that simplification is anything but simple, particularly in view of the EU's multi-layered governance structures. It is a complex issue that requires open debate and careful reflection.

The key criticisms

The contributions put forward seven main points of criticism that can be summarised as follows:

- Simplification becomes a cover for deregulation.

[1] This is Tocqueville revisited. He talked about the "constant utterance of self-applause of the Americans."

- There is a false trade-off between sustainability and competitiveness.
- Changing the rules so quickly after the entry into force of the legislation creates new uncertainty for investors.
- The Commission rushed through the proposals and omitted to conduct a detailed study or impact assessments.
- The simplification agenda seems at least in part to be dictated by American pressure, which raises issues of sovereignty.
- The simplification agenda is too narrow-based and too much of a 'single cure' approach.
- Weakening EU legislation will inevitably lead to more national rules and undermine the Single Market. Already now, the way Member States "gold-plate" the transposition of EU directives (i.e., add additional national requirements) is a major cause of excessive bureaucratic requirements.

Counter arguments

There are also contributions that look at the issue from a different angle. One of the authors sets the simplification theme into a broader context of the EU's delivery crisis ("overpromising and underdelivering"), including in the budgetary area. A second one adopts a more philosophical stance on regulation in a multilevel system. Both establish a clear link to governance and call for a broader reflection on this matter.

Others make the point that while the EU should not foster artificial intelligence (AI) at any cost, the Omnibus proposals are not as radical as some say. In the digital field, the proposals made in the Omnibus text mostly adapt the present legislation to the jurisprudence of the Court of Justice of the EU (CJEU) and the recommendations of the European Data Protection Board (EDPB).

While the Draghi report should not be seen as the Bible, it does raise serious questions about European competitiveness and the European business compliance costs. It is true that Europe's sluggish growth and failure to create Big Tech companies are due to many factors, but it is legitimate to ask to what extent our regulatory framework contributes to the problems.

This explains the agreement reached this week in the Council on Omnibus 1, which will now go to the European Parliament for final adoption. It will slash environmental reporting requirements for over 80% of EU companies. The promoters of the deal insist that this is about reducing paperwork without going against the fundamental environmental objectives pursued by the EU.

On the General Data Protection Regulation (GDPR), I would like to add a personal comment. This regulation was a major step and has become the gold standard of privacy legislation worldwide. That is not to say that it cannot be simplified. I remember from my time in the General Secretariat of the Council of the EU one incident that made me wonder. One day, the administration proudly presented a repository of competencies across the institution. I thought that was a great idea. But when I asked about access, I was told that I could only access the data of my own direct collaborators, because of data protection concerns. That, of course,

defeated the whole purpose of it all. To be fair, this may have been more of a problem of implementing the legislation than of the legislation itself.

What to do?

Sustainability reporting, due diligence duties, and robust carbon pricing are not impediments to competitiveness but integral to building a resilient, future-proof European economy. If simplification is used to eliminate redundancy and streamline compliance, it could enhance both regulatory clarity and credibility. But if simplification becomes code for deregulation, the EU risks ending up with weaker rules and diminished trust. That is the dilemma the EU faces. How can we resolve the dilemma? First, by recognising that there is no simplistic answer to simplification and that the truth, as is often the case, is somewhere in between.

Here are some recommendations based on the contributions of the experts:

- **Review the situation calmly and put all the arguments on the table**. Do not rush in a panic to undo everything that was done, but do look at weaknesses in the legislation.
- **Clarify the terminology**: how do we define competitiveness? What does 'simplification' mean? Different stakeholders interpret the Omnibus packages differently, and there is no clear political consensus.
- **Do not choose between values and competitiveness**. Be honest about the difference between fixing inefficiencies and watering down commitments.
- **Use the current debate as an opportunity to set clearer boundaries**: clarifying whether a proposal maintains or recalibrates the original policy goal; setting automatic expiry dates for temporary relief measures; applying the usual Better Regulation principles when preparing simplification proposals.

This is a debate worth having. We hope that our EUCO Debrief will inspire readers to have a fresh look at regulatory simplification and reflect on how the EU can continue to define its own regulatory approach in these troubled times.

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ABBREVIATIONS

AI	Artificial intelligence
CID	Clean Industrial Deal
CJEU	Court of Justice of the European Union
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
EDPB	European Data Protection Board
ESG	Environmental, social, and governance
EU	European Union
GDPR	General Data Protection Regulation
MFF	Multiannual Financial Framework
OECD	Organisation for Economic Co-operation and Development
SMEs	Small and medium-sized enterprises
U.S.	United States of America

EU simplification weakens, not strengthens, Europe's competitiveness

Alberto Alemanno
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Europe's new economic doctrine promises both prosperity and sovereignty through a single cure: regulatory simplification.

Faced with lagging productivity and an innovation gap with America, the EU has embraced deregulation as its salvation strategy. Since early 2025, the Commission has proposed "simplification" laws covering sustainability and digital rules, with more promised for environmental, food safety, automotive, energy, taxation, and citizenship policies. These piecemeal, catch-all rollbacks – called Omnibus – promise to restore European competitiveness by removing the regulatory "burden" supposedly crushing innovation and growth.

Yet the premise that fewer rules lead to greater prosperity and independence rests on a dangerous fallacy. Even Mario Draghi's influential report offered no evidence that Europe's competitiveness problems stem from its regulations, instead emphasising investment gaps and fragmented capital markets.

The first two simplification proposals, on sustainability and digital regulation, fail on both their stated objectives: they neither strengthen competitiveness nor preserve sovereignty. Instead, they fragment the single market and surrender regulatory power, rewarding firms that exploit weak standards.

Take the "Sustainability Simplification": by weakening corporate sustainability reporting and due diligence, the EU's inaction is set to leave Member States free to fill the gap with national laws. This might paradoxically lead to creating the very fragmentation the Omnibus was meant to end. This scenario is far from hypothetical: several EU governments with greater regulatory ambitions are already moving in this direction. Spain and Sweden may soon be adopting stricter sustainability reporting standards under their existing mandates, while France and Germany have introduced national due diligence laws. Consequently, companies operating across Europe will face differing national requirements - precisely the complexity simplification was meant to eliminate - and increasing uncertainty about which rules apply to cross-border operations. In practice, this engenders the very fragmentation the simplification agenda aimed to prevent.

The winners here are not European small and medium-sized enterprises (SMEs) struggling with compliance, but United States (U.S.)corporations with the scale and resources to navigate fragmented markets. Deregulation applies equally to all firms, not selectively to European ones. When the EU weakens the Corporate

Sustainability Reporting Directive (CSRD) or digital standards, it does not give European companies an advantage over their American competitors. It simply lowers the bar for everyone. This is not a strategy for competitiveness, but a race to the bottom disguised as reform.

Instead of developing a unified market capable of matching America's continental scale, the EU is constructing a regulatory patchwork. European firms still face complexity, but now without the stable EU-wide framework that once guided investment towards sustainable innovation. Meanwhile, U.S. companies enjoy easier access to European markets with fewer obligations. Europe loses its regulatory high ground - the very asset that once made it globally influential - without gaining anything in return.

On sovereignty, the failure runs even deeper. The proposals surrender regulatory power - Europe's primary tool for independence - without using it to set uniform rules for all market participants. When the EU weakens its standards, it does not liberate European companies from foreign competition; it removes barriers for already-dominant U.S. corporations while fragmenting Europe's own market.

The mechanism is simple: weaker EU rules make it easier for already dominant foreign players to gain access, who then strengthen their position while Europe becomes more fragmented. The loss of regulatory influence means Europe can no longer steer market conditions to support its strategic goals - whether in sustainability, digital sovereignty, or economic security. Each concession deepens dependency. Once Europe normalises lower standards under U.S. pressure, it will find it difficult to regain control when others — such as China and India - demand similar treatment. The EU risks becoming a standards analyser rather than a standard setter.

Europe's economic challenges are real but misdiagnosed. Fragmented capital markets, insufficient research and development investment, and risk-averse financing - not environmental or digital rules - limit European competitiveness. Silicon Valley's edge lies in venture capital abundance, university-industry integration, and public procurement supporting innovation, not a lack of regulation. Indeed, stringent EU regulations consistently fostered innovation. GDPR created privacy tech markets where European companies captured nearly half of global vendors. Emissions standards positioned European manufacturers at the forefront of electrification. Chemical regulations under REACH prompted safer alternatives in sectors like cosmetics and industrial chemicals, where European firms now set global standards - with the EU chemicals industry maintaining a EUR 50 billion trade surplus despite strict regulations. These were not obstacles to competitiveness. They were pathways to it.

Research consistently shows that while compliance imposes short-term costs, high standards create premium markets and reward first movers. Privacy protection expands demand through consumer trust. Sustainable supply chains become competitive advantages as global buyers demand accountability. By abandoning these strengths in the name of simplification, Europe does not gain independence; it rather loses the very foundations that could ensure it.

Draghi's report identified real structural flaws but has been weaponised to promote the wrong solutions. Europe does not suffer from "too much regulation" but from too little strategic coordination and investment. Competitiveness will not result from deregulation but from using regulatory power to create markets for next-generation technologies - AI, green hydrogen, sustainable manufacturing - where European firms can take a lead.

By relinquishing its regulatory sovereignty, Europe becomes precisely what Draghi warned against: economically dependent, technologically subordinate, and strategically weak. Washington applauds this "simplification" not because it will strengthen Europe, but because it ensures Europe stays weaker. That alone should reveal whose interests this agenda truly serves, as recently confirmed by the publication of the U.S. security strategy.

Brussels' regulatory simplification: Grand ambitions, inadequate tools

Judith Arnal
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The European Commission's second term under Ursula von der Leyen has placed regulatory simplification at the heart of its competitiveness agenda. Responding to the Draghi Report's diagnosis that the EU's regulatory framework has become excessively burdensome, the Commission has launched a series of Omnibus packages targeting key legislative areas, from sustainability to digitalisation, with more proposals to come out in the coming months. The underlying premise is straightforward: a lighter regulatory touch will enhance European business competitiveness. Yet the critical question remains largely unaddressed: will this simplification exercise deliver on its promise?

The first concern is conceptual ambiguity. What does 'simplification' actually mean? Is it administrative burden reduction, substantive deregulation, or correction of past policy mistakes? Different stakeholders interpret the Omnibus packages differently, and there is no clear political consensus. The Commission speaks of cutting red tape whilst maintaining policy objectives; critics warn of deregulation by stealth; business groups call for more ambitious reforms. This vagueness is not merely semantic; it makes it impossible to evaluate whether the exercise will succeed, because success itself remains undefined.

The second issue centres on process. If the objective is better regulation, launching such far-reaching omnibus revisions without a full impact assessment sits uneasily with the EU's own standards. One of the longstanding critiques of EU lawmaking has been that when the co-legislators – the Council and the Parliament – introduce substantial amendments, they frequently do so without systematic impact assessments. The Commission has traditionally positioned itself as the guardian of evidence-based policy-making. Yet none of the major 2025 Omnibus packages – from sustainability and investment to agriculture and the digital acquis – have been accompanied by a comprehensive impact assessment in the classic sense, relying instead on aggregate burden-reduction estimates and fast-track procedures. This may fall short of the spirit, if not the letter, of the Better Regulation Guidelines. When the institution tasked with upholding regulatory quality relaxes its own safeguards, the credibility of the entire simplification agenda is inevitably weakened.

The third concern relates to timing and regulatory certainty. The Commission is revisiting legislation that is only partially in force or still in the early stages of

implementation, while many companies have already started investing heavily in compliance systems. In sustainability reporting and due diligence, firms are effectively adjusting to a rulebook that is being rewritten as they implement it, which is hardly conducive to long-term planning.

This connects to the fourth concern: the distinction between reducing administrative burdens and achieving genuine cost savings. The Commission promises to reduce regulatory compliance burdens by 25% for companies and 35% for SMEs. These figures refer to time spent on paperwork and reporting requirements. However, reducing administrative burden does not automatically translate into financial savings, which the Commission has set at a target of recurring savings of around EUR 37.5 billion by the end of the mandate. Companies have already invested in sustainability reporting systems, hired personnel, and engaged external advisors. Changing the rules midstream may reduce certain reporting obligations, but it also generates transition costs — updating systems, retraining staff, and managing stakeholder expectations. The net economic effect is far from certain without a proper impact assessment.

The fifth and perhaps most structural problem is that the simplification exercise may have begun at the wrong end. Much of the regulatory complexity businesses face stems not from EU legislation itself but from its fragmented national implementation across 27 Member States. Consider the GDPR: whilst it is a directly applicable regulation, its enforcement architecture relies on national data protection authorities, each with different interpretative approaches and enforcement priorities. The AI Act follows a similar pattern — despite the Digital Omnibus package's proposal to strengthen the AI Office's competencies, Member States must still designate national market surveillance authorities, and many designate multiple authorities for different aspects of AI regulation. True simplification would require centralised European governance structures, not merely streamlined reporting requirements. Without addressing the governance fragmentation inherent in a union of 27 Member States, regulatory simplification remains largely illusory.

A sixth concern reveals a striking paradox: the simplification exercise itself has become remarkably complex. Consider the Digital Omnibus package released in November 2024. The Commission published proposals covering cybersecurity, data governance, AI, digital wallets, and data union strategies, alongside a separate Digital Fitness Check consultation, a report on duplications between the Digital Services Act and other digital rules, and the 2030 consumer agenda. This single week's output totalled 22 documents exceeding 1,200 pages across multiple web pages, with feedback periods extending into 2026 and additional simplification measures promised for 2027. For businesses attempting to navigate this landscape, the irony is inescapable: simplification has generated its own layer of regulatory complexity, requiring significant resources merely to understand what is being simplified and how it might affect existing compliance obligations.

The Commission's simplification agenda addresses real concerns about regulatory overreach, and streamlining is warranted in many areas. However, good intentions do not guarantee good outcomes. Ambiguity about objectives, simplification

without impact assessment, amendments before transposition, uncertain cost-benefit calculations, fragmented governance, and the paradoxical complexity of the exercise itself — these warning signs suggest the current approach may create more problems than it solves. Effective simplification requires procedural rigour, conceptual clarity, and realistic acknowledgement of the EU's institutional constraints — all currently absent.

The EU's competitiveness turn and the myth of simplification

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When the EU Commission presented the Omnibus I and II packages in early 2025, it did so as part of a political turn towards "competitiveness". Building on the Draghi Report on EU Competitiveness (September 2024), the Commission introduced the EU Competitiveness Compass and the Clean Industrial Deal (CID) in January and February 2025. Omnibus I and II were designed to remodel key Green Deal instruments according to this new trajectory.

This contribution traces the competitiveness logic underpinning the Omnibus packages back to the Draghi Report. It argues that the promised "simplification" — which could indeed enhance competitiveness if genuine — operates largely as an argumentative cover for deregulation and a substantive rollback of sustainability obligations.

Despite its title, the Draghi Report does not define "competitiveness". Its shorter strategic Part A and the in-depth Part B tend to treat growth and productivity as interchangeable with competitiveness. The report repeatedly points to China and the U.S. as benchmarks against which the EU must increase growth and productivity.

While competitiveness remains conceptually opaque, its hierarchical relationship to other EU values appears clear: competitiveness trumps them. "Europe's fundamental values[:] prosperity, equity, freedom, peace and democracy in a sustainable environment" (Part A, p. 5) are mentioned only in passing, and never as constraints. The report seems to suggest that rather than being ends in themselves, these values can only be strengthened by growing and becoming more productive — an approach at odds with the usual constitutional understanding of EU fundamental values as standing on equal footing and requiring careful balancing.

This prioritisation shapes the detailed recommendations in Part B. Where sustainability reporting, due diligence frameworks, or carbon pricing impose costs, the report frames them predominantly as regulatory burdens (e.g., calling the EU's sustainability reporting and due diligence frameworks "a major source of regulatory burden" [p. 318]). Such assessments overlook the functions of these instruments in strengthening sustainability and future-proofing the EU economy. Similarly, criticism of the Emissions Trading System for raising carbon costs in the EU (p. 12) disregards that higher carbon prices are precisely the System's intended

decarbonisation mechanism.

The Commission's CID, released alongside the Omnibus packages, presents a different and (highly) ambitious narrative: competitiveness and decarbonisation are portrayed as mutually reinforcing. The CID aims to "turn decarbonisation into a driver of growth" and thus adopts a 'have-it-all' approach to marrying competitiveness with the Green Deal's sustainability objectives. The Omnibus packages rely on the same logic. Their core promise — reducing bureaucratic burden while maintaining sustainability standards — casts simplification as the mechanism that will reconcile competitiveness with the Green Deal's objectives.

Yet closer inspection shows that the Omnibus delivers deregulation rather than simplification. Omnibus I narrows scopes, delays obligations, and weakens enforcement tools across several core Green Deal instruments. According to the Commission's own estimates, most of the projected EUR 6.3 billion in annual administrative savings — EUR 4.9 billion — derive from exempting companies from the CSRD and the EU Taxonomy by shrinking their scopes. The European Parliament's proposal endorsed on 13 November would shrink scopes even further. Such exemptions do not streamline procedures; they remove regulatory obligations altogether. In this sense, the promise of simplification is a false one. Substantively, the Omnibus aligns with the Draghi report's prioritisation of growth and productivity over other EU values, particularly sustainability.

A similar pattern emerges for the Corporate Sustainability Due Diligence Directive (CSDDD). Limiting due diligence duties to Tier-1 suppliers and eliminating the EU-wide civil liability provision reduces administrative and judicial exposure for companies. However, it also retreats from the Directive's core purpose: addressing human rights and environmental harms in deeper supply chains. The European Parliament's proposal to further narrow the CSDDD's scope reinforces this trajectory. Again, these changes cannot plausibly be described as simplifications; they are deregulatory choices privileging short-term competitiveness considerations over previously articulated sustainability objectives.

This raises a more fundamental question: must competitiveness and sustainability be understood as mutually exclusive? The Omnibus packages, influenced by the Draghi framing, outwardly claim "no", aiming for both. Implicitly, they answer "yes" by suggesting that shielding companies from "burdensome" obligations is necessary for competitiveness. But this dichotomy is constructed. There is no conceptual reason for defining competitiveness in purely financial terms. On the contrary, in a medium- and long-term perspective, competitiveness can — and arguably must — be understood as including ecological and social sustainability. A genuinely future-oriented competitiveness strategy would aim to ensure that EU markets can function sustainably in 25 years and beyond, not only in the next reporting cycle.

From this perspective, sustainability reporting, due diligence duties, and robust carbon pricing are not impediments to competitiveness but integral to building a resilient, future-proof European economy. The Omnibus packages, however,

translate the current competitiveness turn into a narrow deregulatory agenda, arguably undermining the long-term competitiveness.

Competitiveness,sustainability, and the CSRD simplification debate as part of the Omnibus debate

The EU is navigating a complex debate over Omnibus legislation and regulatory simplification. At stake is how to protect competitiveness while staying true to the Union's values. Too often, sustainability obligations are portrayed as burdens. In reality, they are the very basis of competitiveness in today's global economy.

Katarzyna Chwalbińska-Kusek
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Sustainable development has been central to international discourse since the 1980s. Responsibility cannot rest solely with governments; businesses are equal actors. They employ workers, consume resources, generate emissions, and shape communities, while also facing risks from resource scarcity, climate change, and stakeholders' distrust. Economic growth cannot be divorced from managing these impacts. Miscommunication and regulatory chaos risk undermining this principle, weakening both EU credibility and business confidence. Simplification must mean proportionality and preparation, not deregulation.

Competitiveness and sustainability: Complementary forces

Sustainability should be regarded as the foundation of modern competitiveness, enabling businesses to manage risks, build resilience, and earn trust. Global commitments reinforce this principle. The United Nations Agenda for Sustainable Development and Organisation for Economic Co-operation and Development (OECD) Guidelines underline that responsible business practice is inseparable from competitiveness. Companies are active participants whose choices determine whether growth is sustainable or short-lived. The role of the EU is to promote competitiveness while achieving policy goals.

- **Sustainability strengthens competitiveness** by managing risks, building resilience, and earning trust.
- **Ignoring sustainability** exposes businesses to reputational damage, regulatory penalties, and market disadvantages.
- **The EU's role** is not to compete directly, but to enable competitiveness through harmonised regulation, innovation investment, and resilience against global shocks.
- **Modern competitiveness** must mean thriving while responsibly managing environmental, social, and governance (ESG) risks. Profit maximisation alone is outdated.

Clarifying the CSRD and communication

The debate over the CSRD simplification is built on flawed assumptions. Many businesses see reporting as a burden, reflecting a lack of education about ESG's role in risk management. Some opposing voices come from actors never intended to be included in compulsory reporting, highlighting widespread misunderstanding.

The discussion reveals a short-term view, driven by commercial interests and compounded by confusion over what sustainability and the acronym ESG truly mean for business. While simplification should reduce administrative burdens, it must not imply that competitiveness can be achieved by abandoning sustainability obligations. Interpreted as deregulation, simplification risks undermining the very competitiveness it aims to protect.

Sustainability reporting under CSRD is about assessing and disclosing sustainability matters in alignment with financial reporting, intended to apply mainly to large listed and non-listed companies. However, even smaller firms, though not yet required to report, should understand their complex impacts, risks, and opportunities, since competitiveness depends on effective risk management. Simplification under the Omnibus should therefore target the reporting process itself — reducing unnecessary complexity — rather than diminishing sustainability's role.

CSRD thresholds and the small mid-caps reform

The argument that raising CSRD thresholds balances ambition with practicality is undermined by the EU's own 2025 reform introducing Small Mid-Caps, defined as a new category for companies with fewer than 750 employees and either up to EUR 150 million in turnover or up to EUR 129 million in total assets. This category recognises their vital role in competitiveness and innovation, while easing their transition into the large enterprise bracket.

Alignment of the CSRD thresholds with this reform would be a logical step linking various simplifications taking place on the regulatory level in the EU. Yet the proposed CSRD thresholds of 1,750 employees and EUR 450 million turnover are not aligned with this reform. Simplification should mean streamlining obligations, not excluding most businesses from responsibility. Otherwise, the market may assume sustainability is only relevant for the very large companies, while mid-sized firms can ignore ESG responsibilities. Such an assumption undermines both competitiveness and Europe's sustainability leadership, creating confusion for business, especially companies that are already advanced in CSRD compliance preparations.

Conclusion and actions

Competitiveness in Europe cannot be separated from sustainability; the two are mutually reinforcing. Regulatory simplification should focus on reducing complexity, not weakening obligations. CSRD thresholds should at least align with

the small mid-caps reform to ensure not only alignment and consistency with other proposed simplifications but above all engagement of not only the largest of businesses in the EU. Clear communication, consistent support, and proportional rules are essential if the EU is to safeguard credibility, empower business, and uphold its leadership in sustainable growth.

Only clarity, consistency, and ambition will empower businesses, uphold international commitments, and ensure competitiveness thrives through sustainability.

Alleged 'simplification' without safeguards: What the Digital Omnibus means for Europe's rights framework

Itxaso Domínguez de Olazábal
Policy Advisor, EDRi

The Digital Omnibus is presented as a neutral attempt to streamline the EU's digital rulebook. In practice, the process and the substance reveal a coordinated deregulatory shift that weakens how the Union protects data and communication confidentiality. The Commission's decision to reopen the GDPR, the ePrivacy directive and parts of the AI Act at once is not routine housekeeping. It is a strategic move that reshapes the balance between competitiveness and the rights protected by Articles 7 and 8 of the Charter of Fundamental Rights of the EU.

The procedure surrounding the Digital Omnibus is as important as its content. Consultations were short, several core elements appeared late and the political pressure to move fast left limited space for democratic oversight. These conditions stand in contrast with the magnitude of the reforms. The package combines changes to definitions, compatibility rules, re-use provisions and device access safeguards. All these adjustments affect the foundations of the Union's digital protections. Presenting them as simplification understates their systemic effect.

At the centre of the Digital Omnibus lies a change in how the Union approaches data protection under the GDPR. The Commission's proposal encourages wider re-use of personal data and a more flexible reading of compatibility. These provisions weaken purpose limitations and create uncertainty about when safeguards apply. This shift benefits actors who rely on large-scale data operations and who argue that economic needs justify broad interpretations. The result is a less predictable framework and weaker structural boundaries for data processing.

The absorption of some ePrivacy safeguards into the GDPR reinforces this trend. Device access rules have long protected confidentiality irrespective of identifiability. Moving them under GDPR reframes the question from confidentiality to personal data. This narrows the scope of protection at a time when device-level tracking remains central to several business models. The new exemption for the media sector adds further divergence. It creates an uneven environment in which influential actors can benefit from lighter rules while others remain fully covered. The reference to future technical standardisation does not resolve these concerns. Standardisation takes time, often years, and

leaves significant gaps in the meantime.

The political framing around competitiveness strengthens the deregulatory effect. The argument that digital rules must be softened for Europe to compete globally treats safeguards as obstacles rather than as assets. Yet the history of the GDPR shows that rights-based stability is not a barrier to innovation. It creates trust and legal certainty. Weakening it does not guarantee growth. It risks favouring those with the capacity to exploit flexible rules while leaving smaller firms without clear guidance. Simplification becomes a selective advantage rather than a shared benefit.

The process behind the Digital Omnibus illustrates this imbalance. Fast procedures reduce the opportunity for meaningful engagement. Rushed consultations restrict the ability of civil society, smaller businesses and national authorities to examine the implications of the changes. The technical complexity of the package compounds this problem. It makes it difficult for those without significant resources to understand how individual reforms interact or how cumulative effects reshape the rights framework. These dynamics contrast with the Union's stated commitment to evidence-based policy-making, particularly in matters involving fundamental rights.

Although the Digital Omnibus also touches on the AI Act, this contribution focuses on the reforms to data protection and communication confidentiality. The broader package, however, shows the direction of travel. Introducing changes to multiple major laws at once, before some of them have even fully taken effect, signals a readiness to prioritise economic narratives over the structural integrity of the rights framework. This shift has international consequences. The GDPR's influence abroad rests on its stability and clear rights-based logic. Weakening that logic undermines the EU's credibility in adequacy negotiations and digital trade discussions. It also aligns the Union more closely with partners who favour lighter safeguards and broader industry discretion.

The debate over the Digital Omnibus is not about minor adjustments. It is about the kind of digital environment Europe wants to shape. Simplification can support enforcement and reduce confusion. It becomes harmful when it lowers protective boundaries, broadens exceptions and introduces reforms through rushed procedures. The Commission's proposal moves in that direction. It weakens safeguards, reduces the weight of confidentiality protections and creates more space for large-scale processing in the name of competitiveness.

The Union faces a clear choice. It can pursue competitiveness through a strong, stable and rights-based framework. Or it can accept a lower rights model shaped by speed and economic pressure. A credible alternative requires reaffirming rights as part of competitiveness, not as trade-offs. The Digital Omnibus, as proposed, risks taking the Union in the opposite direction.

Simplification as the key instrument to achieve EU competitiveness?

Andreas Eisl
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In the absence of significant budgetary powers, the EU is primarily a regulatory state. Political debates at the European level thus frequently return to the question of regulatory simplification, especially due to the EU's multi-level governance structure. This typically includes cutting red tape for businesses, addressing gold-plating issues, streamlining regulatory procedures, improving the overall quality and coherence of existing legislation, and strengthening equal implementation and enforcement.

Simplification is therefore a laudable objective and can strengthen more fundamental democratic values such as equality before the law, legal comprehensibility, and transparency. However, simplification can also be used to legitimise deregulation, serving to remove or weaken existing rules and standards. Deregulation may be a useful policy solution if existing rules do not achieve the public policy objectives they set out to address, or if they have strong negative side effects for the achievement of other important public policy objectives. However, deregulation often simply serves to remove rules that are considered as too constraining by specific political or economic actors. Such actors push for deregulation to gain economic advantages while creating conflicts with broader public policy objectives.

This brings us to the simplification agenda currently endorsed by the EU institutions, including the European Council. Following a series of major crises and changes in the geopolitical context, competitiveness has become a key concern for EU decision-makers.

The Draghi and Letta reports, and other influential analyses, have highlighted a loss of EU competitiveness and made recommendations on how to restore it, looking for synergies with other key European objectives such as climate protection, strategic autonomy and economic security. In general, the recommendations to improve competitiveness include a broad policy mix, including a strong increase in public and private investment, regulatory measures to advance the Single Market, better coordination of Member State policies, trade (defence) measures, and simplification policies.

While the EU had managed to find a common fiscal response to the COVID-19 crisis, the costly energy price crisis and the subsequent return to 'normal' fiscal policymaking, as well as the upcoming reimbursement of the NextGenerationEU debt have significantly undermined the prospects for a significant increase in (joint)

public investment.

Efforts to unlock more private investment by moving towards a European Savings and Investment Union as proposed by the Letta report are slowed down by longstanding differences in Member States' preferences linked to domestic financial institutions. Similarly, proposals for a stronger integration of energy markets to reduce prices also face headwinds due to diverging country positions and needs.

The coordination of industrial policies on both the supply and demand sides remains weak, even if there are some Commission-induced advances in this area. Similarly, trade-related measures such as European preference criteria are slowly gaining traction among EU countries but will take time to have an effect.

The overall lack of advancement on these issues has put simplification increasingly in the centre of the EU efforts to increase competitiveness. While the European Green Deal framed the green transition as compatible and even conducive to EU competitiveness, various industries have increasingly questioned this approach, seeing regulatory measures, especially towards the green transition, as a key factor in the EU's loss of competitiveness. Deregulation, under the guise of simplification, is supposed to restore competitiveness.

However, the current focus on simplification to achieve EU competitiveness is too narrow-based and fundamentally misjudges the capacity of such an approach to deliver tangible results and risks undermining other key common policy objectives. The Commission's 25% administrative burden reduction target (35% for small and medium enterprises), translated into expected company savings in EUR 37.5 billion, exemplifies the flawed approach to simplification. It directs efforts towards the elimination of rules considered to be burdensome without considering to which extent such rules also serve the achievement of public policy objectives other than competitiveness. The size of the expected savings corresponds to meagre 5% of the investment needs of EUR 750 billion outlined by the Draghi Report. And deregulatory measures help little to better coordinate and steer EU economies and companies towards more competitiveness.

So, while simplification might look like a low-hanging fruit for policy-makers across the EU, it may not be a particularly tasty one. The big focus on simplification will fail to solve the EU's competitiveness problem, while potentially undermining other public policy priorities. By opening a broad set of EU regulations through omnibus proposals, the Commission opens the door for major deregulatory changes in European rules, especially regarding the green transition.

The EU and its Member States need to rapidly refocus their attention and increase their ambitions to provide a credible multipronged strategy towards competitiveness, making use of the complementarities between different policy objectives rather than playing one out against the others.

Regulation, simplification, and European values

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The Omnibus legislation packages reveal an important tension at the heart of the EU. European regulation is necessary to bridge national jurisdictions and create a common market. In that sense, the goal of European regulation should be to make it easier for firms and individuals to do business across national borders, not harder. But a market is not a goal in its own right. European regulation should work in ways that promote common that cannot be addressed effectively at the national level. Prosperity, innovation, and competitiveness are as important as sustainability, equity, and justice in this respect.

The problem is that everyone must compromise on the values that regulations protect and promote. National governments must compromise over which jurisdictions will have to make more adjustments to reach the common standards and, more importantly, whose firms and citizens will wind up paying higher adjustment costs. Political parties must compromise over whose values and interests will be most affected and what are the possible workarounds or alternatives. Civil society organisations need to adapt their mobilisation strategies to maximise their influence in shaping the values being promoted at the European level while minimising the setbacks they will experience in other jurisdictions. And that is before we begin to accept the fact that different countries, groups, and individuals all have different hierarchies of values.

This tension is hardly new to the European project. You could see it on full display during the 'harmonisation' debates of the 1970s and early 1980s and during the 'relaunching of Europe' with the Single European Act and the 1992 project to complete the internal market in the late 1980s and 1990s. Indeed, the tension between regulation, simplification, and values explains why the internal market remains a work in progress. It also explains why there are limits to the EU's influence beyond Europe and why there are limits to the expansion of the EU. Europeans tend to oscillate between periods of enthusiasm and pessimism about the European project. Just think about the rise and fall of the Lisbon Strategy; now think about the rise and fall of the Brussels Effect. The fundamental machinery behind European integration has remained much the same; the variation has more to do with the willingness of Europeans to embrace it.

That oscillation says a lot about how Europeans view each other as well as their European project. Compromise is easier when you can perceive any concessions made as working toward the common good. The more values Europeans believe

they share with one another, both in absolute and relative terms, the more easily they can work together and the more clearly they can recognise themselves in and identify with what they accomplish. When Europeans focus more on their differences with one another, they are more prone to view concessions as 'sacrifices' or 'losses'. Just think about how the tension between 'neoliberal' Britain and 'statist' France shaped European politics during debates around the European Constitutional Treaty and Brexit, or about the cleavage between North and South or 'saint' and 'sinner' during the sovereign debt crisis.

Today, the cleavage is within European countries as well as between them. The debate over the Omnibus packages pits left and centre against right and far-right. The questions it raises are which Europeans have a legitimate right to participate in making European legislation and whether all Europeans can identify with the rules that only some Europeans make. There are no easy answers. Confronting the normalisation of extremist groups is just as complicated as integration. Working together with the extremes involves compromises that many refuse to make because of the sacrifices that would require in terms of fundamental values on all sides.

But not working together is not a viable alternative. Europeans need shared regulation if they are to achieve objectives related to prosperity, innovation, and competitiveness. And they need to achieve those objectives if they are to promote sustainability, equity, and justice in an increasingly hostile global environment. Abandoning Europe and retreating to the national arena is not viable either. The same differences and tensions operate in those smaller political spaces, only the resources available to address them or to use in pushing back against the outside world are significantly diminished. A retreat from Europe will only exacerbate domestic conflict. Just look at the impact of Brexit on the politics of the United Kingdom.

The debate over the EU's Omnibus legislation will not satisfy everyone in Europe, nor will the legislative process or the outcome. European policy-makers need to have a frank conversation with their voters about the stakes that are in play and the realistic alternatives. They need to sketch a positive future and show how that future can be more inclusive both within and across countries. And they need to make steady and demonstrable progress in achieving those – and many other – shared objectives. The effort required is enormous, and so the argument for embracing Europe as a common project will have to be compelling. Fortunately, it is.

Competitiveness and fundamental rights: A false dilemma

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The high standard set for the protection of fundamental rights and respect for consumers has become the trademark of the European digital market, and a certificate of impeccable quality that has been globally recognised as competitive and an incentive for multinational operators to raise their standards worldwide. The Digital Omnibus Regulation Proposal puts an unprecedented setback to that agenda without offering any gains in return.

First, the European Commission's objective to enhance the competitiveness of European companies through regulatory simplification is, from the outset, doomed to fail, for the simple reason that the new rules will apply to all operators, including non-European multinational companies that are already operating in the European market. They, rather than small start-ups, will be the largest beneficiaries of the proposed changes. In particular, the proposed change to the GDPR, which would allow for data processing for the purposes of training AI systems on the grounds of legitimate interests, will primarily benefit controllers that already have access to vast amounts of personal data. Regrettably, the Commission had not decided to introduce a tier system that would indeed ease the bureaucratic burden for smaller controllers while keeping the big players in line with regulatory obligations on high-risk and high-volume processing.

Secondly, the Digital Omnibus Regulation Proposal is creating more legal uncertainty than clarification. The Commission's proposal to update the GDPR with cherry-picked casuistic changes responds to narrow scenarios without considering wider consequences. For example, the proposed revised definition of personal data, as per the CJEU findings in *EDPS vs SRB*, fails to acknowledge scenarios where it will be challenging for controllers and processors to establish actual responsibility for data processing. While taking the CJEU rulings into account when changing legislation is a desirable step, in this case, the wording proposed by the Commission fails to observe the particular circumstances of the EDPS–SRB dispute, which is difficult to transfer to a universal level without a risk of diluting responsibilities (specifically, the contractual obligations of processors versus the controllers). Similarly, while the extended exemptions for scientific research purposes are valid for controllers working in medical health research, their broad scope might risk the overuse of this exemption by other operators (including for commercial purposes) and compromise the principles of ethical research.

Third, the scope of the changes to the GDPR proposed in the Digital Omnibus

Regulation Proposal is visibly going beyond technical updates. The changes target the key elements of the data protection framework, including those safeguarded by the Charter of Fundamental Rights of the European Union, such as the concept of personal data, the right to access data, and the legal basis for processing. Most worryingly, the Commission pivots to the implementing acts, whose material scope would extend far into the application of the law. According to the proposal, the Commission would be tasked with creating a list of instances in which the pseudonymised data would not fall into the scope of the GDPR. This change is likely at odds with Article 8(3) of the Charter and Article 16(2) of the Treaty on the Functioning of the European Union, which confirm that the protection of personal data is subject to control by an independent authority. The Commission is not fulfilling this condition, even if working in close cooperation with the EDPB.

Fourth, the proposed update is based on false and long-disputed assumptions that the regulation is inherently opposed to innovation; that innovation is always beneficial; and that the processing of data is inherently innovative. The fact that the EU does not have Big Tech companies has broader and more complex reasons than the allegedly too strong regulations: it is a combination of lack of enforcement imposed on the most prominent global players, the brain drain of the European-educated experts, and the multi-layered combination of 27 various regulatory and legal cultures. The proposed changes do not address any of these problems; instead, they increase the gap between the Big Tech companies and smaller controllers.

Finally, the dilemma that pits "competitiveness" against "fundamental values" is intrinsically problematic. The economic success of the EU in the 20th century stems from the very reconciliation of these two, treating them as complementary rather than opposite. The rapid and successful democratic transitions of post-communist Member States, such as Poland, Estonia, and Lithuania, are exemplary success stories that demonstrate that respect for fundamental rights goes hand in hand with economic success and, consequently, an increased well-being of citizens. Sacrificing these achievements under shaky grounds for the sake of gains that are, if anything, uncertain, means throwing the baby out with the bathwater.

The EU should focus on strengthening existing rules and enhancing the enforcement of regulations that were initially set out to protect both markets and individuals equally, as intended. In this sense, the instruments for fostering competitiveness are already in place. While the link between strong regulation and a lack of innovation is contested, it is indisputable that what is actually harmful to market prosperity is the lack of legal certainty. The EU-based companies and SMEs have voiced multiple concerns against the complexity of the GDPR, and it is indeed valuable that the Commission recognised the need for, for example, introducing a single reporting system for data breaches and cybersecurity instruments. However, changing the rules in a way that deconstructs the whole system without doing this through a proper legislative process risks creating further problems and uncertainties.

Omnibus I: Simplification, EU values, and legislative practices

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On 9 December 2025, the European institutions reached a political compromise on a new Omnibus I Regulation that seeks to reduce the burdens to which firms are subject under EU laws that deal with sustainability reporting and corporate due diligence. It seeks not only to simplify the three laws, but also to better align them.

Omnibus I appears to be directionally appropriate, but whether it will generate hoped-for benefits is unknown because the Commission neglected to perform the required preparatory analysis.

EU law needs to be simplified

There is no denying that the EU legislative acquis has ballooned over the past 25 years. The lawmakers have added about 400 new laws in each of the past 5-year terms, while repealing very few, and the average length of these laws has roughly doubled over the same period. The mechanisms put in place to try to trim back the excesses are, regrettably, all under-performing. This legislative bloat impacts EU firms.

At a time of increasing geopolitical tension, of near-collapse of the transatlantic relationship, and of the return of kinetic war to the European continent, there is a clear need to bolster the EU's competitiveness relative to its systemic rivals. Reducing regulatory burden is only part of the response. A periodic survey by the European Investment Bank shows that more than 80% of businesses see lack of access to workers with the right skills as a serious impediment to investment, 60% blame the business reporting requirements and regulation in general, and 40% lament the lack of access to finance.

All three of these concerns feature prominently in the Draghi Report, the Commission's Competitive Compass, and a wide range of academic literature including our own. Simplification is important, but it is neither the only nor necessarily the most important factor in strengthening EU competitiveness. The need for simplification is indeed manifest, but simplification is not simple.

Correcting shortcomings in EU sustainability reporting and corporate due diligence law

The three laws (CSRD, CSDDD, and Taxonomy) are undoubtedly burdensome. They are widely but incorrectly thought to entail duplicate reporting requirements.

As the Commission rightly explained to us, however, once one distinguishes between behavioural obligations versus reporting obligations, there is no explicit overlap of reporting obligations between CSRD and CSDDD. But even though each of the three laws addresses a distinct function – disclosure (CSRD), conduct (CSDDD), and classification (Taxonomy) – their implementation by companies often relies on shared data systems, risk assessments, and governance structures. Data capture requirements for the three are interrelated but not fully aligned.

Omnibus I as now agreed seeks to reduce the burden mainly by increasing thresholds for the size of firms that have to report – for CSRD, to firms with 1,000 employees and net turnover of EUR 450 million; for CSDDD, to firms with 5,000 employees and net turnover of EUR 1,500 million. This reduces burden; recall, however, that there is no duplicate reporting. Whether this reduces real overlap in data capture requirements remains to be seen – small firms are often suppliers to large firms, and the large firms may need this information for business rather than legal reasons, for instance when they seek finance.

Omnibus I also seeks to free firms from the obligation under CSDDD to periodically and intensively assess their value chain all the way to the bottom for possible harms to the environment or human rights. It will be sufficient to evaluate based on reasonably available information. This is likely to be truly helpful, but at some cost in effectiveness.

The most important element in the agreement that the European institutions just reached is a review clause. The analysis that should have been done before enacting Omnibus I will now be done much later.

Questionable process leads to questionable outcomes

Political and technocratic policymakers will need to make trade-offs between simplification and other values. In light of the special challenges that the EU faces with its decision-making, the EU has progressively put in place Better Regulation processes over the past 25 years that seek to make EU policy-making more evidence-based and transparent. International experts, including at the OECD, would tend to rate the EU's law-making process among the very best in the world; however, it must be said that that sets a low bar.

The process leading up to Omnibus I deviated greatly, however, from Better Regulation practice – so much so that the European Ombudsman wrote a highly critical report. She found that the Commission was neglecting good law-making practice by claiming urgency on grounds that were weakly substantiated, if at all; cutting corners without any clear line as to what shortcuts are permissible in urgency situations; dropping proper balanced public consultation; rushing through internal interservice consultation in just 24 hours over a weekend; and paying insufficient attention to compliance with the European Climate Law. She considered that this was a case of maladministration on the part of the Commission.

These concerns are well-founded. Over the past years, we have repeatedly criticised

the Commission's frequent unsubstantiated claims of urgency, which undermine the legislative process, and argued that even when urgency is justified, the Commission should still respect some minimum standards.

As we explained in our highly critical study of Omnibus I for the European Parliament, concerns such as those by the Ombudsman are well-founded. There was no Impact Assessment for Omnibus I. There was no public consultation. For the Call for Evidence conducted at the end of 2023, the Commission failed to publish the factual summary that the Better Regulation Toolkit requires within eight weeks – this deficiency cannot be attributed to urgency. And the rushed interservice consultation probably explains the disconnect between the Commission's Staff Working Document written in support of Omnibus I and what we subsequently learned.

A proper Impact Assessment should have looked at both the costs and benefits of Omnibus I. The Staff Working Document that supposedly substitutes for an Impact Assessment considered only the burdens of reporting, thus fully ignoring the well-documented benefits of these laws – not 'just' for the broader EU society, but also for the firms. If one looks only at one side of the scales, one cannot make meaningful trade-offs.

The Commission might want to claim that its adherence to the Better Regulation process is voluntary, but the European public expects and deserves better, and the Treaties require it. Moreover, the Commission President's Mission Letters to the incoming Commissioners in 2024 called both for simplification and for improved adherence to Better Regulation principles. One cannot be at the expense of the other.

We therefore urge the Commission to reinvigorate its long-standing commitment to Better Regulation, and to invest the time and energy needed to ensure that these complex trade-offs are properly assessed as a key input to the legislative process.

The high cost of a low-ambition European Green Deal

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There is no denying that the success of the European Green Deal and the sustainable finance framework will depend on addressing the practical challenges that hinder their implementation. The debates around the Omnibus packages, however, are emblematic of a broader simplification agenda that appears driven more by political calculation than by a measured effort to improve compliance or clarity. Rhetoric around "simplification" and "burden reduction" often serves as a proxy for deregulatory pressure from organised interests that conflate accountability with red tape. This framing reinforces the false notion that competitiveness and the green transition are at odds, risking a drift from both the EU's climate ambitions and its wider economic and resilience needs.

Consider Omnibus Package I. While investors consistently cite the lack of detailed and comparable disclosures as a major obstacle to assessing net-zero alignment, the Commission's proposed changes to the CSRD would exempt around 80% of companies from reporting, weakening data availability and comparability. The Council's proposal goes further, introducing a EUR 450 million turnover threshold and pushing for even narrower enforcement under the CSDDD. Likewise, the Council's support for proposed revisions to the CSDDD - limiting due diligence to direct suppliers and removing civil liability and 5% minimum penalties – disincentivises a continuation of the business transformation that is already underway.

While concerns around reporting burdens are valid, the EU's pledge to cut those burdens by 25% lacks an evidence-based assessment of what this simplification would entail. Thus, it appears instead as a politically convenient target. This impression is reinforced by the Council's proposal to weaken climate transition plan requirements, one of the few tools that ensures companies are preparing to adjust their business models. Genuine simplification would instead focus on measures that improve clarity and usability, such as sector-specific guidance and topic prioritisation under the European Sustainability Reporting Standards, and digital tools that reduce administrative load without diluting ambition.

Beyond the substance of the Omnibus packages, their real significance lies in what they signal about the direction of the broader simplification agenda and the related risks. Projections indicate that warming beyond 3°C could threaten around 40% of the global economy. Meanwhile, the Commission's 2025 Environmental Implementation Review estimates that the EU already loses roughly EUR 180 billion annually due to its environmental implementation gap, compared to the EUR 122

billion needed each year to close it. Nevertheless, the economy is still not transitioning at a pace consistent with these signals. Climate risk remains insufficiently integrated, and core requirements now face dilution or delay. At the same time, favourable policies and market inertia keep fossil assets overvalued, sustaining capital flows such as the USD 869 billion channelled to fossil-fuel firms in 2023 and the USD 1.6 trillion in fossil-linked credit held by the 60 largest banks. Instead of adjusting to emerging evidence, the system remains locked into business-as-usual, increasing exposure to threats like stranded assets, loan losses, and abrupt deleveraging that could trigger broader financial instability.

The risks extend beyond fiscal losses and environmental damage, carrying significant social costs as well. Experience shows that simplification pursued for its own sake can erode essential protections. For example, the removal of independent safety checks on high-risk machinery in 2006 led to rising workplace injuries until the safeguards were reinstated in 2022. Critical asbestos protections were dismissed as a "burden" in the Commission's 2022 Annual Burden Survey. More broadly, delaying the transition imposes steep opportunity costs on society, forfeiting strategic advantages at a moment when global leadership gaps - particularly from the U.S. - create room for the EU to shape the agenda. These economic pressures, combined with the potential loss of environmental and social protections, risk worsening living conditions for vulnerable groups. The result is almost certainly a widening of inequalities and a rise in political volatility that strengthens far-right populism - paradoxically, the same dynamic motivating parts of the political centre to scale back the Green Deal through the simplification agenda.

While these risks are not a product of simplification alone, the concern is that the current simplification agenda is increasingly used as a pretext to defer the deeper structural reforms necessary. Simplification for its own sake does not strengthen competitiveness; it undermines it. Stepping back now would leave Europe vulnerable to the economic, social, and political shocks of an incomplete or disorderly transition. Simplification, when done well, does not have to lead to deregulation. Instead, it should deliver targeted, evidence-based refinement that strengthens implementation and preserves ambition as global markets shift with or without European leadership.

The EU's delivery crisis

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There is presently a fierce debate going on in the EU about the issue of simplification. Simplification is closely linked to wider reform debates, and new expectations of improvements are being created. This raises broader questions, including with respect to the negotiations about the next Multiannual Financial Framework (MFF) of the EU. There is a broad – and slightly naïve - agreement on simplifying the budget[1], and, in the meantime, views differ sharply between Member States on whether the budget should be increased. A lot is at stake, especially for net contributors. More important than simplification or the size of the budget is the question of whether citizens trust the added value of EU spending. Unfortunately, there is considerable scepticism regarding the budget's effectiveness and reports by the European Court of Auditors have repeatedly highlighted deficiencies in its legitimacy, transparency, and added value.

The EU budget is just one example of complex and underperforming EU policies. The European showpiece is the internal market. For a long time, there was no doubt about the importance of harmonisation. However, European growth is still lagging behind the U.S. and emerging Asian economies, comparable to the situation in the 1960s. Similarly, the monetary union has not fulfilled the original promises. Among others, the average national debt is around 90%, exceeding the 60% target. Consequently, Member States now lack the financial capacity to accommodate the new defence spending targets, to stimulate innovation, to support Ukraine, or to respond to unforeseen crises. Hence, the pressure to opt for Eurobonds. Moreover, the Green Deal is running up against the limits of reality because costs for citizens are rising and companies threaten to leave because of over-regulation. Meanwhile, new commitments are proposed, including for example reducing administrative burdens and proposing simplification of existing texts via Omnibus legislation. But there are many questions on how this is being done. If ambitions stumble time and again over feasibility, the credibility and support of the EU are at stake.

Learning lessons

It is high time to learn the lessons from the European delivery crisis. Of course, there is no single cause for the diversity of chronic problems. To begin with, politics is often characterised by lofty ideals and a strong sense of 'yes we can'. Inspiring vistas are essential for progress, yet it is also important to remain realistic. One

[1] For more details on how difficult simplification is in the MFF, see Schout. A (2025), 'The Commission's EU budget proposals: Caught between ambition and governance deficit', Clingendael: Policy Paper.

lesson, formulated by former Dutch Prime Minister Mark Rutte, is that the EU must promise less and deliver more. Based on previous experiences, promises and assumptions in the EU Commission's recent budget proposals or in the quest for simplification appear to be overly simplistic. Self-reflection in Brussels is desirable.
Second, the EU evinces a sense of ideological superiority: the EU's world-leading sustainability agenda will stimulate growth, the EU is a setter of standards that other parts of the world will adopt ('Brussels Effect'), enlargement will make an even stronger Union, and far-reaching harmonisation is a virtue. Yet, other continents do not follow our standards, innovative sectors are doing better in China and America, and EU-values are hard to impose. More political diversity in the EU staff policy might enrich internal debates. The former Vice President of the Commission himself called for pricking the Brussels Bubble.

The third lesson is even more sensitive: the EU Commission is ripe for reform. The Commission wears too many hats, including policy formulation, enforcement, and evaluating its own policies. Better checks and balances are needed. The EU lacks, in particular, a culture of independent and transparent supervision and enforcement. This partly explains, for example, the complaints about Member States not respecting the rules. Relatedly, information from the Commission is not always trusted. The Commission has a department that 'independently' checks the quality of policy proposals, which reports to President Ursula von der Leyen. How independent is this? Debates have been going on for years about placing quality control and evaluation outside the Commission. The European Court of Auditors has regularly concluded that the Commission tends to overestimate the positive effects of its policies. When monitoring EU spending, we see that Member States almost always get the money, even if it is difficult to see whether targets have been met. Trust in EU policies starts with reliable indicators combined with transparent information and enforcement. The Commission frequently insists on the need for Member States to reform, but it now needs to reform itself according to good governance principles.

The MFF and learning from good examples

The EU budget is a good place to address the EU's underperformance. Valuable insights can be gained from well-functioning governance systems in policy domains, such as aviation, competition policy, and the food sector. However, the EU is not good at drawing lessons across policy sectors. The budget negotiations offer an opportunity to push for reforming the governance of the EU budget and, hence, of EU governance systems more broadly. Net-payers may need to increase their contributions to the EU budget, providing them with leverage to demand improvements. It is time to rekindle reform to maximise and demonstrate the EU's added value.

Simplification at the tipping point – what the Omnibus debate really tells us

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The European Commission has made 'simplification and competitiveness' a top priority. Few would argue against the need to streamline EU regulations after years of intense law-making. But the current approach, and the controversy surrounding the Omnibus proposals, reveal a deeper strategic question: Is simplification about making EU rules more workable, or about quietly lowering expectations for markets and firms?

The debate is often cast as a trade-off: either ease burdens on European operators to protect competitiveness, or uphold the EU's environmental, social and rule-of-law standards. But that framing misses the point. The real issue is whether policy-makers can separate efficiency improvements from substantive rollbacks, and whether they admit when that line is crossed.

From housekeeping to hollowing out

On paper, the Omnibus proposals address a valid concern. Many companies, especially mid-caps and SMEs, are overwhelmed by the cumulative impact of frameworks like the CSRD, CSDDD, and EU Taxonomy. A recent study found that the problem is less about legal overlap and more about operational convergence: overlapping demands on the same data, systems, and timelines, with inconsistent guidance.

Done right, simplification could strengthen both competitiveness and standards. Streamlined templates, harmonised definitions, aligned reporting timelines and single-window digital reporting would lower costs, reduce confusion and improve data quality. These reforms should be prioritised.

But other proposed measures go much further (e.g., delaying implementation, exempting broad groups of firms, weakening review cycles). At that point, this is not simplification but restructuring. If a rule change makes it impossible to meet the original objective, or does so without an open recalibration, then simplification has tipped into deregulation. By that test, parts of the Omnibus package clearly cross the line.

A political realignment, not a technical fix

The political context deepens the concern. A recent European Parliament vote to

delay sector-specific CSRD standards, pushed through by an alliance between centre-right and far-right parties, was not just procedural. It signalled that some policy-makers are prepared to dilute key Green Deal measures in the name of competitiveness, even when those measures are essential for investor confidence and corporate accountability.

What we are seeing is a political realignment, where elements of the traditional pro-European centre are aligning with the illiberal right on sustainability, finance and corporate regulation. The Omnibus debate reflects this trend. If simplification becomes a catch-all justification for undoing commitments, the EU risks losing credibility on climate leadership and undermining the predictability that long-term investment depends on.

Procedural shortcuts risk worse outcomes

There is also a process problem. The European Ombudsman recently criticised how the Commission handled 'urgent' files like the Omnibus: bypassed impact assessments, weak documentation of climate checks and rushed inter-service reviews.

This is not a bureaucratic quibble. The Better Regulation framework was created to ensure transparency, evidence-based decisions and open consultation. If major legislative shifts happen without proper analysis or input, simplification becomes a shortcut to weaker outcomes and less accountable policymaking.

Europe's real challenge – process over power

Zooming out, the Omnibus reflects a deeper EU problem: a dependence on process – endless transparency, labelling and reporting – without corresponding shifts in incentives, prices or market structures. The assumption that disclosure alone drives better environmental or economic outcomes is fundamentally flawed.

Instead of using this moment to rethink how sustainability and competitiveness rules are designed, and making them easier to follow and enforce, the EU risks defaulting to delay tactics and exemptions. That might ease short-term political tensions but at the cost of long-term policy coherence and credibility.

What EU leaders should do now

EU leaders do not have to choose between values and competitiveness, but they do need to be honest about the difference between fixing inefficiencies and watering down commitments. The current debate is an opportunity to set clearer boundaries, built around four principles:

- **Objective integrity**: Every simplification should clarify whether it maintains or recalibrates the original policy goal. No more silent downgrades.
- **Guardrails and sunsets**: Temporary relief measures must have automatic expiry dates. No open-ended delays that become permanent by stealth.
- **Integration first, exemptions last**: Prioritise solutions that improve operational

consistency before shrinking the scope of rules.
- **Procedural integrity**: Even in urgent cases, Better Regulation principles should apply; documented impact assessments, clear justifications for exceptions and genuine stakeholder input.

If simplification becomes code for deregulation, the EU risks ending up with weaker rules and diminished trust. But if used to eliminate redundancy and streamline compliance, it could enhance both regulatory clarity and credibility.

The choice is still open. The Omnibus debate is a test of whether EU leaders will take on the difficult work of redesigning regulation for better outcomes or fall back on slogans. Europe does not need fewer goals. It needs fewer hoops and more assurance that the ones that remain still matter.

Who is afraid of the Digital Omnibus?

Christiane Wendehorst

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Rarely have pending or leaked EU legislative proposals caused such an uproar as that surrounding the Digital Omnibus. Civil society organisations have described it as a "point of no return" and "the biggest rollback of digital fundamental rights in EU history". The main area of concern has been the proposed amendments to the GDPR. But how well-founded are these fears?

Let us start with the narrowing of the notion of 'personal data'. Until now, it has generally been assumed that data count as personal if anyone at all is able to link them to an identifiable natural person. On that basis, pseudonymised data — for instance, where patient data are linked to an identifier that only someone with the mapping key can connect to specific patients — have been treated as personal data. In its Single Resolution Board judgment of September 2025, however, the CJEU held that the assessment must always be actor-specific. Thus, if someone processes patient data but has no means whatsoever of linking them to identifiable patients, then for that actor the data are non-personal. This is what the Commission now wants to have spelled out explicitly in the text of the GDPR. The problem is that the consequences of this ruling are far-reaching, and it is unclear to what extent the Court's precise reasoning is doctrinally sound. All of that, however, is a debate about the right regulatory technique.

The proposed facilitations for AI development have also come in for heavy criticism. In essence, the proposed changes boil down to clarifying that the development of AI can constitute a "legitimate interest" that permits the processing of personal data, provided the usual requirements — especially the balancing of all affected interests — are met. This is something which the EDPB has held to be the law already in its Opinion 28/2024 on processing of personal data in the context of AI models. Similarly, the proposed new definition of 'scientific research' and the associated clarifications regarding the secondary use of data for research appear to be no more extensive than what is currently set out in Recitals 50 and 159 of the GDPR.

A substantive change concerns AI training with personal data that contains particularly sensitive categories of data. The CJEU has steadily expanded the scope of such data to include any data from which one can indirectly infer a sensitive attribute. With this approach, a substantial share of all data would be sensitive in nature — for example, health details and political opinions that could be inferred

from photos (e.g., a person wearing glasses) and shopping lists (e.g., in a bookstore). Yet, AI development depends on large and heterogeneous datasets and might therefore not be lawfully carried out in Europe without the 'explicit consent' of every individual concerned. That is why the Commission now wishes to change the rule, while at the same time imposing a range of restrictions and safeguards.

Many wonder to what extent these measures are linked to pressure from Big Tech and Trump. It is true, considering the new geopolitical situation, that the EU is certainly waking up from its dream of being the 'regulatory superpower' thanks to the 'Brussels Effect'. But as far as changes to the GDPR are concerned, the Omnibus is not about giving in to U.S. pressure. It is about the interests of the small and medium-sized European companies. The big Silicon Valley companies heavily lobbied for the GDPR to be designed exactly the way it was, as it hits small and medium-sized enterprises far harder than large ones. It also impacts European companies far harder than third-country companies because EU law is enforced much more effectively within the EU. Besides, the drafting of the GDPR is anything but strategic. For example, the EDPB, in its Opinion 28/2024, concluded that, regardless of how a large AI model was trained and whether that training complied with data protection law or not, it could be marketed and used in the EU provided it was anonymous in its trained end state. Put more bluntly: large U.S. or Chinese models potentially enjoy a *de facto* staying power, whereas new models can hardly be developed in the EU because of all the uncertainty around legal bases and sensitive data categories — and it is precisely this that the Omnibus aims to change.

Of course, the EU cannot foster AI development at any price — strong protection of fundamental rights must remain a hallmark of EU digital policy. However, the proposals set out in the Digital Omnibus are very moderate, and many of them merely reiterate what the CJEU or the EDPB deem to be the law in any case. The proposals may not be perfect, but details can still be changed during the legislative procedure. We should view this primarily as a measure that serves European interests, rather than as a capitulation to Silicon Valley or a grand conspiracy against our fundamental rights.

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TEPSA would like to thank all researchers who contributed to this issue.
Special thanks to Jim Cloos.

The question guiding contributions for this issue were formulated by Jim Cloos.

Editing: Jim Cloos, Allegra Wirmer (TEPSA).

Formatting: Allegra Wirmer (TEPSA).

Co-funded by
the European Union