



Europaforum Northern Sweden's Views on EU's efforts to boost competitiveness

Europaforum Northern Sweden (EFNS) is a network for politicians at the local and regional levels from Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland. EFNS is an arena for dialogue and knowledge where EU policy is analysed and discussed in the areas where it affects northern Sweden. EFNS monitors European issues to influence EU legislation, the EU's strategies and action programmes and the EU's budget. The objective of EFNS is to safeguard the interests of northern Sweden both in the European arena and in relation to the national levels in matters with a clear European perspective.

Europaforum Northern Sweden welcomes the European Union's increased ambitions to strengthen European competitiveness and takes note of the measures presented in the *Competitiveness Compass for the EU* (COM(2025)30). Northern Sweden wishes to contribute to this strategic process by highlighting its views on five key areas that are considered central to the region's ability to contribute to the EU's competitiveness and green transition. This position paper has a broad and strategic orientation and focuses on the following five themes:

- State aid
- Regulatory simplification
- Trade-restrictive and trade-promoting measures
- Electricity prices
- Ecosystems and small and medium-sized enterprises (SMEs) and micro-enterprises.

The position will be followed up with more detailed statements as the European Commission presents specific legislative proposals.



Large scale state aid

- The Union's state aid rules should continue to be restrictive in order to safeguard long-term competitiveness and a well-functioning internal market.
- More liberal aid rules risk distorting competition to the disadvantage of Member States that do not make extensive use of large-scale state aid to industries.
- Support for innovation and industry should be channelled through competitive EU programmes and instruments, not through national state aid.
- Certain regions, particularly in Northern Sweden, should have specific access to state aid due to structural market failures where businesses face barriers linked to long distances, sparse population, and Arctic conditions.

Europaforum believes that the Union's state aid framework should remain highly restrictive. Excessive use of state aid risks undermining market mechanisms that have historically been decisive for Europe's long-term competitiveness. A market-driven economy that fosters competition and efficiency is fundamental for sustainable growth.

We are concerned about a development where increasingly generous state aid rules – including extended use of Important Projects of Common European Interest (IPCEI) and the Temporary Crisis and Transition Framework – risk creating imbalances on the internal market. Enterprises in Member States that, for financial or political reasons, do not use state aid to the same extent could find themselves at a structural disadvantage. Another consequence could be that companies that have already invested on market terms are crowded out by subsidised competitors.

EU industrial policy should focus on competitive allocation of support, for example through calls under Horizon Europe or open reverse auction systems. This ensures that support goes to the most competitive projects regardless of geographical location.

Furthermore, EU grants – such as those under Horizon Europe or the proposed Competitiveness Fund – should not be conditional on, or linked with Member States providing national state aid. Such a link risks excluding actors from countries with a more restrained state aid policy.

Where state aid to large scale industry is permitted, it should be strictly targeted at addressing well-defined market failures, for example to bridge the “valley of death” in the scale-up phase of growing firms, or to stimulate the development of so-called “infant industries” within a country or region that are not yet internationally competitive, particularly SMEs and micro-enterprises. This is a documented bottleneck for innovation-driven competitiveness. This is especially relevant when strategically important technologies for the EU are at stake, and where there are geopolitical incentives for third countries to disrupt EU-based production.

Europaforum also notes that research and innovation (R&I) is given too limited attention in the Commission's Competitiveness Compass. R&I should be a central pillar of the Union's competitiveness strategy.



We support that the European Commission, on its own initiative, may use trade measures to level the playing field against countries that use prohibited subsidies or otherwise distort competition. However, such instruments should be restricted to technologies and products where EU-based production is strategically important for the Union in the future.

At the same time, state aid rules must consider structural differences within the Union. Businesses in Northern Sweden operate under specific conditions: sparse population, lack of local markets, and large distances to customers and suppliers. These circumstances justify more generous access to state aid to create comparable conditions for investments and establishments in these areas, particularly for SMEs and micro-enterprises.



Regulatory simplification

- Regulatory simplification is crucial for the competitiveness of SMEs and must be based on a user perspective.
- The regulatory burden must be proportionate to the purpose of the legislation and not become an end in itself.
- The EU's high climate ambitions should be maintained – but combined with long-term and predictable regulatory frameworks.
- Industry in Northern Sweden, leading the green transition, needs stable framework conditions for their business models to remain viable.

Europaforum stresses the importance of regulatory simplification as a tool to strengthen business competitiveness, especially for SMEs. Simplification should consistently be based on the user perspective – i.e. how rules are perceived and handled by companies and other actors – rather than solely on administrative processes for public authorities.

The regulatory burden should never be more complex than necessary to achieve the objectives of legislation. Laws aiming at ambitious targets, such as climate neutrality or the circular economy, must be effective without imposing unnecessarily onerous requirements that hinder investment or growth.

At the same time, it is essential that the Union upholds high climate and environmental ambitions. Industry in Northern Sweden has taken a leading role in the green transition, and this development must be supported by long-term and stable rules. One example is the Delegated Act on additionality for hydrogen under the revised Renewable Energy Directive (RED II/RED III – Regulation 2023/2412), where uncertainty in interpretation and application poses a risk of slowing down fossil-free industrial production.

Europaforum believes that EU policy development should be long-term, technology-neutral, and predictable. For capital-intensive industrial projects – such as those ongoing in Northern Sweden – the investment horizon is long, and sudden or unpredictable changes in legislation can undermine entire business models. Shifting regulatory ambitions can overturn conditions for companies that have invested in response to the rules in place, sending the wrong signals to European firms about courage and innovation.

Regulatory simplification should therefore not be about lowering ambition, but about creating clear, stable, and comprehensible rules that promote innovation, sustainability, and competitiveness.



Trade-restrictive and trade-promoting measures

- The EU should safeguard global free trade as a long-term objective, even if the current global context requires the Union to use trade policy strategically as a countermeasure.
- Trade instruments such as the screening of foreign direct investment (FDI) need to be harmonised across the Union.
- New partnerships, such as Clean Trade and Investment Partnerships, should focus on market access.
- Preferences for local and European content in procurement should be reserved for strategic technologies to avoid negative impacts on export industries.

Europaforum supports an open and rules-based trade policy where free trade continues to be the foundation for Europe's prosperity and global competitiveness. The Union should strive for global free trade in the long term, while recognising the need to actively use trade policy to ensure reciprocal conditions and fair trade relations.

We support the harmonisation of Member States' FDI screening mechanisms, in line with Regulation (EU) 2019/452. Fragmented implementation risks creating internal competition between Member States and undermining the Union's shared strategic interests.

On new free trade agreements, Europaforum encourages the EU to continue negotiations with like-minded partners. We welcome the initiative for Clean Trade and Investment Partnerships, but stress that such agreements should not only focus on sustainability requirements but also ensure real and ambitious market access for European companies.

We also see a need to strengthen the role of the WTO. The EU should continue to defend the multilateral trading system, including compliance with and modernisation of WTO rules.

Preferences for EU-made content in public procurement should be used with great restraint and only for strategic technologies. Excessive use risks triggering retaliatory measures in other countries, which could ultimately reduce export opportunities for Swedish companies – particularly in Northern Sweden, where export-intensive industries play a central role in regional growth and employment.



Affordable energy and electricity

- Europe's industrial competitiveness and the electrification of society require a significant increase in energy production across the EU.
- All Member States and regions should have incentives to invest in new generation capacity to meet growing demand.
- Energy efficiency in households and businesses is an important complementary measure.

Europaforum Northern Sweden considers that electrification of transport, industry, and society at large will entail rapidly growing electricity demand across the EU. To meet this development, a substantial and coordinated expansion of electricity generation is required – in all Member States and regions.

Electricity prices are decisive for Europe's industrial competitiveness. The Union's energy policy should therefore create incentives for investments in new power generation capacity across all European regions and Member States, meeting future demand while reducing system costs. A broad expansion across the EU strengthens competitiveness both in individual regions and in the Union as a whole.

Europaforum Northern Sweden emphasises that local acceptance is crucial to succeed with the major expansion required. When energy production takes place in a specific region, sometimes with perceived negative impacts, it is important that the benefits of the energy production also profit the local community. This increases understanding of the investments needed and strengthens the green transition's anchoring in affected communities. Incentives for all Member States and regions to expand generation capacity are central to establishing an Energy Union. By stimulating investments in new capacity across the EU, it can be ensured that capacity grows commensurate with demand, energy prices remain competitive and that electrification can be achieved in a fair and efficient way. These solutions should be prioritised over measures focusing on production in one location and consumption in another.

Europaforum Northern Sweden also considers that energy efficiency in companies and households is a central part of the solution. Strong and long-term support and incentives should be in place to implement measures that reduce energy use and thereby relieve the electricity system.



SMEs, micro companies, and ecosystems

- SMEs, in particular micro-enterprises, are crucial for EU competitiveness and growth.
- EU efforts should focus on creating simpler and more targeted support for these firms, rather than complex state aid schemes such as IPCEI.
- Cohesion Policy and Smart Specialisation Strategies (S3) are decisive for EU competitiveness and contribute to building capacity to accommodate major industrial investments.
- Public procurement rules and financial instruments should be designed to include and facilitate participation by small and local companies.
- It is essential that EU support reaches the smallest firms, and that implementation under shared management is consistent and effective across all Member States.

SMEs, including micro-enterprises with fewer than 10 employees, play a critical role in Europe's economy, competitiveness, and industrial renewal. These companies employ a large share of the workforce and generate significant value, and are particularly important in sparsely populated, rural areas such as Northern Sweden. Here, micro-enterprises are often the backbone of local communities and essential for jobs and services.

Municipalities and regions have a decisive role in Europe's competitiveness and green industrial transition, and Cohesion Policy provides crucial support. Experience from Northern Sweden shows that competitiveness is best achieved by enabling local communities to build on their strengths and invest in long-term capacity building, innovation, and renewal. It is therefore essential that Cohesion Policy remains focused on its long-term objectives of fostering local innovation ecosystems to attract capital and investments that enable the transformation of businesses and societies in line with the Union's overarching goals. By supporting infrastructure, skills supply, and public services, Cohesion Policy also strengthens the capacity of regions and municipalities to handle large green industrial investments that must be embedded in the surrounding community. This underscores the need for a strong and long-term Cohesion Policy across the EU.

It is important that EU competitiveness policy clearly focuses on providing SMEs and micro-enterprises with targeted and easily accessible support measures. Complex and administratively heavy support schemes, such as IPCEI, risk diverting resources from broader schemes more suitable for smaller actors with high innovation potential but limited administrative capacity. Instead, efforts should concentrate on building and strengthening regional innovation and business ecosystems, as following the example of Smart Specialisation Strategies (S3), to create long-term and strategic conditions for company development and growth.

It is also vital that EU support reaches even the smallest enterprises. When support is provided under shared management, it is crucial that the Commission works closely with Member States to ensure consistent and effective implementation across Europe. At the same time, it is necessary to avoid imposing unnecessary reporting requirements, restrictions, and regulatory burdens that in practice limit access to support for small actors.



Furthermore, the EU should provide attractive financial instruments, such as risk-sharing and guarantees, tailored to SMEs and micro-enterprises. These tools can reduce investment barriers and increase firms' opportunities to grow and contribute to the transition. Procurement rules at EU level should also be designed to avoid creating unnecessary barriers for small firms. Requirements concerning company size, experience, or past projects often exclude local actors from public contracts, reducing diversity and competition.

Robust infrastructure is essential for a well-functioning internal market and for all regions to enhance EU competitiveness and productivity. Infrastructure is essential for the internal market to function effectively and for all regions to contribute to EU competitiveness and productivity. To meet future needs, the Union's next Multiannual Financial Framework should contain significant investments in both transport and digital infrastructure. It is particularly important that these investments strengthen linkages between industrial and societal hubs across regions, so that more parts of Europe can play an active role in the transition and contribute to growth.

Finally, there is a need to develop and promote new and more flexible procurement methods so that SMEs and micro-enterprises can play an active role in the EU's green and digital transition. Such methods should help reduce administrative burdens and financial risks for public authorities, while increasing opportunities for small firms to access public contracts.

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