EU efforts to simplify are still held back by cumulative costs

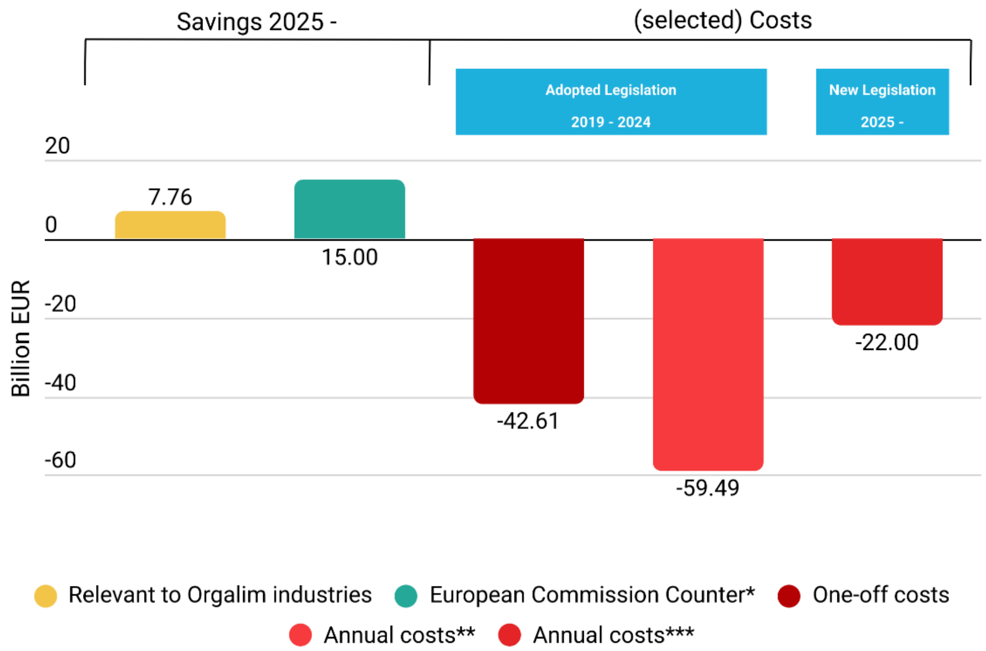
Orgalim's Simplification Report, April 2026

Omnibus initiatives deliver meaningful cost savings, yet companies in Europe are still facing a continued net increase in regulatory burden.

While the EU regulatory machinery is improving its capacity to simplify, it remains significantly more effective at adding new layers of regulatory cost and complexity. Without a veritable mindset shift towards leaner and smarter EU regulation, simplification efforts are set to remain a compensatory exercise rather than helping achieve a genuine rebalancing of the regulatory framework.

According to Orgalim calculations, the EU's simplification efforts initiated in 2025 are poised to deliver €7.76 billion in cost savings for Orgalim industries – a significant share of the €15 billion in overall annual savings achieved according to the European Commission (see yellow and green bars in Graph 1).[1]

Simplification: Savings versus additional costs



Data source: Orgalim calculations based on European Commission's assessments
*As of 1 January 2026 **From regulation adopted in the 2019-2024 legislative cycle ***From regulation adopted since 2025

[1] European Commission, The 2026 Annual Single Market and Competitiveness Report, 30 January 2026.

Mind the gap: cumulative regulatory costs outweigh simplification gains

However, while simplification initiatives are beginning to deliver tangible benefits, their magnitude remains modest. Moreover, progress is dwarfed by the enormous cost burden incurred from obligations introduced in the past six years. The structural gap means that, in practical terms, companies are still facing a continuous net increase in regulatory costs, hampering their competitiveness and future growth potential.

According to estimates from the European Commission's own impact assessments, EU legislation adopted between 2019 and 2024[2] has triggered:

- €42.61 billion in one-off costs; and
- €59.49 billion in new recurring annual costs for Europe's technology industries.

Companies are now entering a critical phase where the costs of legislation adopted between 2019 and 2024 begin to hit in full. They are felt across multiple business functions and require sustained allocation of financial and human resources to ensure compliance.

On top of that, key pieces of new EU legislation announced in the current political mandate (2024-2029) are expected to result in another €22.00 billion in additional annual compliance costs. [3]

A fragile recovery under increasing regulatory pressure

Regulatory simplification, predictability and proportionality play a key role to provide structural support and help strengthen the fragile recovery we are witnessing in Europe's technology industries. Following several years of disruption, Europe's technology industries are set to return to moderate growth in 2026. Turnover is forecast to increase by +1.8%, with investment rising by +0.7%. However, the recovery is uneven and highly sensitive to external developments, including geopolitical tensions, energy price volatility, and intensifying global competition. Greater ambition in simplification efforts at EU level could act as an important lever in supporting industrial stabilisation and growth at this pivotal moment in time.

A long way for the EU to achieve simplification targets

The meaningful, yet moderate cost savings achieved so far show that the EU is still a long way away from achieving its own simplification targets. Bold and consistent action is now needed to reach the -25% reduction in annual recurrent administrative costs for all companies and the -35% target for Small and Medium-sized Enterprises (SMEs) by the end of this Commission's mandate in 2029.[4]

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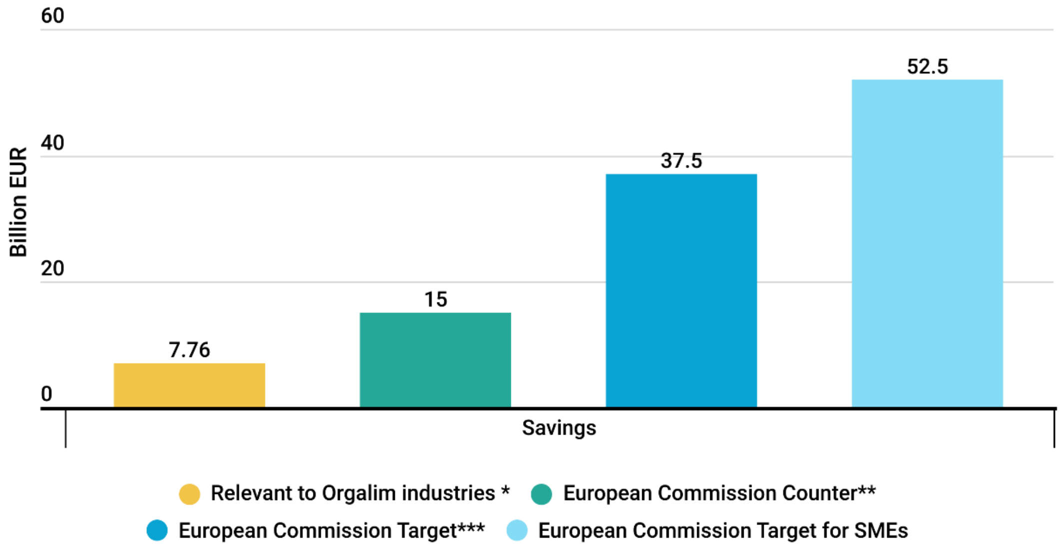
[2] Limited to selected legislation impacting technology industries in Orgalim's scope.

[3] Targets set in detail in European Commission, Communication on simplification and implementation, 11 February 2025.

[4] Targets set in detail in European Commission, Communication on simplification and implementation, 11 February 2025.

Against the baseline of €150 bn in recurrent costs in 2022 calculated by Eurostat, this would means a total reduction of € 37.5 bn would need to be achieved for all companies and € 52.5 bn for SMEs.

Savings as a result of EU regulatory simplification efforts



*Data source: Orgalim calculations based on Europen Commission's assements
**As of 1 January 2026 ***EU-wide; all industries

In light of the € 81.49 bn cumulative annual cost burden from both adopted legislation (2019-2024) and newly announced legislation, even reaching the Commission's bold objectives will not be enough to offset the overall burden incurred by the regulatory tsunami that businesses have been experiencing in recent years.

Overlapping frameworks drive complexity

The regulatory burden experienced by companies is not only the result of individual legislative acts, but of their interaction with each other. Particular challenges arise when:

- Horizontal legislation overlaps with sector-specific product rules;
- Digital, sustainability, and safety requirements stack up and accumulate simultaneously; and
- Legal provisions lack clarity in their interaction or practical implementation.

These cumulative effects create real obstacles for our members who report anecdotally that 'compliance departments require more resources than research and development.' This is a result of duplicative reporting obligations, inconsistent requirements, and timelines that do not align with industrial processes that are cumulatively diverting investment away from innovation and growth.

High-growth sectors are most exposed
Concerningly, the sectors driving Europe's industrial transformation - such as electrification, advanced manufacturing, and AI-related technologies - are those most affected by regulatory complexity.

These sectors are central to Europe's future competitiveness, contributing to productivity gains, energy efficiency, and industrial resilience. However, they are also subject to multiple, overlapping regulatory frameworks that risk slowing deployment without necessarily improving safety or outcomes.

The development of the AI regulatory framework represents a case in point. As industrial applications of artificial intelligence expand rapidly, regulatory clarity and coherence are essential to ensure both safe adoption and global competitiveness.

Simplification in this context is not a concession to industry, but a precondition for enabling innovation at scale and retaining leadership in global race for tech leadership.

From simplification to structural rebalancing
The key question is no longer whether simplification efforts exist, but whether they are sufficient, timely, and structural. To achieve meaningful impact, simplification must:

- Address the root causes of regulatory burden, including duplication and inconsistencies between legal acts;
- Prevent new layers of complexity from being introduced in future legislation; and
- Deliver measurable reductions in ongoing compliance costs, particularly for companies operating across borders.

This requires a shift from a system that primarily compensates for regulatory burden after it is created, to one that systematically prevents unnecessary complexity from arising in the first place.

Better regulation must therefore go beyond procedural improvements. It must be embedded throughout the legislative process, supported by:

- Robust and credible impact assessments, including cumulative effects;
- Stronger policy coherence across legislative initiatives;
- Realistic implementation timelines aligned with industrial realities;
- A disciplined and transparent use of delegated acts; and
- Technology-neutral approaches that remain adaptable to innovation.

The coming period will be critical for the credibility of the EU's simplification agenda. As new initiatives are introduced and existing legislation enters into force, the balance between regulatory ambition and economic impact will become increasingly visible.

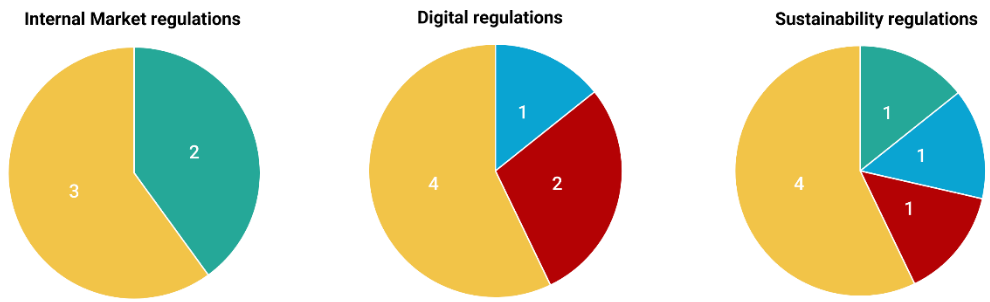
Europe's technology industries have demonstrated resilience in the face of multiple shocks over the past decade. They continue to invest in innovation, sustainability, and skills. What they require in return is a regulatory environment that is predictable, proportionate, and workable in practice.

Ensuring that simplification moves from intention to impact will be essential to maintaining industrial investment, supporting innovation, and securing Europe's long-term competitiveness.

Key regulatory burden issues for Orgalim

Fully addressed EC Proposal published: all Orgalim recommendations adopted
Work in progress Proposal pending or legislative procedure ongoing
Not addressed Proposal published but no Orgalim recommendation taken up
No movement EC not considering

Simplification efforts



Internal Market regulations

- Allow longer transition periods and easier conformity assessments
- Speed up harmonisation of European standards
- Reduce burden for conformity declarations and CE-marking
- Resolve contradictions between ATEX and ecodesign requirements
- Ensure new liability rules do not increase litigation risks

Digital regulations

- Abolish double reporting obligations for cybersecurity incidents
- Resolve inconsistencies in AI-related EU legislation
- Avoid overlapping cybersecurity rules
- Strengthen legal certainty and trade secret protection
- Resolve contradictory requirements in data legislation
- Ensure data transfer rules do not hamper international flows
- Resolve contradictions between cybersecurity and ecodesign

Sustainability regulations

- Ease reporting obligations on CSRD, CS3D, Taxonomy
- Streamline national waste-related reporting requirements
- Avoid blanket bans on PFAS chemicals
- Close the Substances of Concern In Products (SCIP) database
- Clarify scope of ECRMA and ESPR/energy labelling rules
- Remove duplication in EU chemical regulations
- Withdraw the Carbon Border Adjustment Mechanism (CBAM)

Data source: Orgalim calculations

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,972 billion, manufacturing one-third of all European exports and providing over 11,9 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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