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Delegations will find attached document SWD(2023) 417 final part 5/5.

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PART 5/5

COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT REPORT

ANNEXES

Accompanying the proposal for a

Directive of the European Parliament and of the Council

on Soil Monitoring and Resilience (Soil Monitoring Law)

{COM(2023) 416 final} - {SEC(2023) 416 final} - {SWD(2023) 416 final} -
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ANNEX 13: COMPETITIVENESS CHECK

1. Overview of impacts on competitiveness

Dimensions of competitiveness	Impact of the preferred option	References to sub-sections of the main report or annexes
Cost and price competitiveness	+	Part 1/3 of the SWD, Chapter 3 Part 1/3 of the SWD, Chapter 6 Part 3/3 of the SWD, Annex 11
Capacity to innovate	++	Part 1/3 of the SWD, Chapter 3 Part 1/3 of the SWD, Chapter 7
International competitiveness	0*	Part 1/3 of the SWD, Chapter 3 Part 3/3 of the SWD, Annex 10
SME competitiveness	+	Part 1/3 of the SWD, Chapter 7 Part 3/3 of the SWD, Annex 11 Part 3/3 of the SWD, Annex 11

*= note: on a longer time horizon, this is likely to be a positive (+) impact

Cost and price competitiveness

The preferred option is foreseen to incur impacts on the competitiveness of economic actors based in the EU, both directly and indirectly. Costs can be expected from the implementation of measures, particularly those in relation to sustainable soil management (Building Block 3), restoration (Building Block 5) and to a lesser extent monitoring (Building Block 2). The nature of these costs will vary significantly depending upon the exact measures which Members States select due to the flexibility offered through the preferred option allowing for local conditions to be reflected, and disproportionately costly measures to be avoided. However, the costs associated with the implementation of the preferred option are assessed as being lower than the positive economic impacts, particularly when analysing over medium/long-term time horizons. In the short term, the competitiveness may be nevertheless temporarily affected negatively in case a Member State would not adequately support the costs of the transition to sustainable soil management practices or the restoration measures, before the benefits are reaped. However, the longer-term benefits, such as maintaining or increasing soil fertility or reducing input use, can ensure long-term productivity and reduce costs, thus increasing competitiveness in the long term.

The predominant economic actors impacted by the costs of the preferred option are likely to be the landowners who rely upon soils as a key input for their production processes - namely foresters and agricultural economic operators. For these actors, the preferred option has the potential to diversify production systems, resulting in greater resilience to climate fluctuations of their businesses, with subsequent cascading impacts on the value chains that they supply. Furthermore, diversified production systems which maintain/increase soil fertility will generate stabilised or increased yields from food, feed and biomass production in the long-term.[1] The analysis offered in Annex 11 outlines such economic benefits.[2]

However, not all activities prescribed under the preferred option will lead to immediate positive impacts on competitiveness for those incurring the costs. For example, lower agricultural yields can be expected from some restoration activities (such as the introduction

[1] See Chapter 6 'impacts and comparison of policy options' (building block 3), part 1/3 of the SWD
[2] See Annex 11 '2. Costs and benefits of the preferred option', part 3/3 of the SWD

of seasonal non-productive zones), yet these can be partially overcome through knowledge sharing. Furthermore, some of the economic benefits will occur for different stakeholders (e.g. climate benefits, protection of shared water resources, public health, job creation). However, the common criteria/ principles/ management practices established by the EU and MSs will help to stimulate standardised yet flexible approaches to soil management which will ultimately lead to efficiency gains in the long term for soil managers.

Finally, through a common approach to ensure soil health, internal market distortions and unfair competition will be reduced. Currently, national legislation targeting soil health is divergent- resulting in contrasting obligations for economic actors. As a result (for example), costs relating to penalties, remediation and monitoring/investigation can vary significantly between Member States. Ensuring a level-playing field across all Member States in relation to soil policies will ensure a better and fairer functioning of the EU Internal Market. [3]

Capacity to innovate

The preferred option will lead to an innovation in tools, instruments, practices and methods to assess, monitor and improve soil health in the EU. It is foreseen that technological development in, for example, the use of monitoring approaches (eDNA, remote sensing, use of space data and services in-field monitoring systems) will enhance and stimulate soil-related research in the EU, further motivated through EU funding mechanisms.[4] The intensified use of technologies such as remote sensing are likely to lead to efficiency gains (monitoring efficiency and improved accuracy of targeted measures) in the long-term, which could imply cost savings for Member State monitoring authorities/agencies. In addition, such uptake in innovative solutions are likely to increase the competitive footing of the EU in relation to expertise and technologies exportable to non-EU countries.[5] A multitude of opportunities for SME growth within the innovation field are also likely (see section below), if Member States provide adequate financial support.

International competitiveness

The implementation of the preferred option is likely to generate impacts on international competitiveness. The most obvious is that non-EU producers would not be subject to the costs to comply which obligations stemming from EU legislation. As outlined in Annex 10[6] these costs incurred on EU SMEs and sectors (through trade and finance flows) can negatively impact the EU's international competitiveness footing in the short term, yet it is likely that international competitiveness in the medium/long-term will benefit from the implementation of the preferred option (e.g. improved productivity, trade, jobs, public health) as measures taken will be proportionate and net beneficial. Through its implementation, the long-term sustainability of EU soils will be maintained, whereas geographic locations with less stringent legislation will likely continue to be exposed to continued degradation of their respective soil health (and thus, subsequent decreased productivity of processes intrinsically dependent upon good soil health). Ultimately, it is expected that this would place the EU in a better competitive position in the long-term. As noted in section 3.3[7] of the SWD, through its common vision and legal framework, the preferred option will likely put the EU in a strong competitive position in regards to the export of expertise and technologies to solve soil-related issues.

[3] See Section 3.3 'Subsidiarity: added value of EU action', part 1/3 of the SWD
[4] See Chapter 7 'Preferred option', part 1/3 of the SWD
[5] See Section 3.3 'Subsidiarity: added value of EU action', part 1/3 of the SWD
[6] See Annex 10 '5. Analysis of options under Soil Restoration and Remediation', part 3/3 of the SWD
[7] See Section 3.3 'Subsidiarity: added value of EU action', part 1/3 of the SWD

SME Competitiveness

In relation to SME competitiveness, there are several opportunities for SME growth and innovation- notably through the expansion of research, advisory services, testing facilities, and monitoring and sampling techniques.[8] Furthermore, through the increase of publicly available information on soil health, it can be considered that increased public awareness of soils and the challenges faced will create further potential demand for soil-related solutions and research. As calculated in Annex 11 the total employment impacts (largely to SMEs) of the preferred option would equate to around 36 400 additional FTEs on an ongoing basis (plus a significantly larger number of FTEs created when incorporating sustainable soil management practices). [9] However, SMEs involved in 'risk activities' could plausibly encounter proportionally larger cost burdens if required to implement additional pollution control technologies, or cease business activities in a location (larger businesses are likely to have access to other, operational locations in such an event).[10]

[8] See Annex 11 '2. Costs and benefits of the preferred option', part 3/3 of the SWD
[9] See Section 7.3 'Overview of costs and benefits', part 1/3 of the SWD
[10] See Annex 11 '2. Costs and benefits of the preferred option', part 3/3 of the SWD