

Czech Business Today

MORE REQUIREMENTS AWAIT BUSINESSES IN THE NEAR FUTURE

In the future Czech businesses will have to be more careful about who they do business with. Under new European legislation they will need to ensure business sustainability across entire "value chains". The Directive on corporate sustainability Due Diligence has advanced in the European legislative process. It aims to promote sustainable and responsible business behaviour. It holds companies accountable for environmental and social transformation within Europe and beyond, but it may cause difficulties for Czech businesses operating at European and global level.

Under the European Commission's proposal, the rules would apply to large companies from inside and outside the EU with over 500 employees and a global net annual turnover of €150 million or more and to businesses in high-risk sectors with more than 250 employees and a global net turnover of €40 million or more. SMEs are not formally included in the Commission's February 2022 proposal rules but are likely to be affected by the legislation.

"The preparation of the legislation is already on track. We must prepare for what it will bring and accept and share that responsibility. But if I were radical, I would say that this is the end of free enterprise," warned MEP Martina Dlabajová (for ANO, Renew), who was preparing an opinion on the subject for the Parliament's Industry and Energy Committee (ITRE), at a recent CEBRE debate. Among other things, she warned that the proposal shifts all responsibility

for sustainability to entrepreneurs, even if problems are solved. Pavlína Kalousová, director of corporate relations at Plzeňský Prazdroj, agrees with Martina Dlabajová in this respect. Both stress that businesses now face many new regulations, which can pose a significant

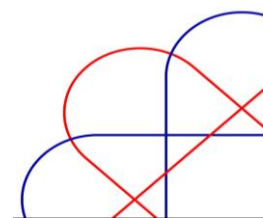
problem. On the other hand, both Martina Dlabajová and Pavlína Kalousová see positives in unifying rules across European borders.

Meanwhile, the European Parliament is inclined to tighten the legislative proposal, which Czech MEP Martina Dlabajová criticises. The member states within the EU Council, for their part, are taking the opposite course and want the rules to be looser - this is also what the position they have agreed on envisages. "Even though the

Czech Republic was not able to express its position during its presidency, all states agreed that it is important that preeminent EU companies do not employ people in their supply chains for slave wages and do not pollute the environment," said Michal Franěk from the Czech Ministry of Justice at the debate.

The Directive could come into force as early as the beginning of 2024. Like Martina Dlabajová and Pavlína Kalousová, Michal Franěk thinks that more focus should be placed on small and medium-sized enterprises and reducing the impact of the Directive on them. The Czech Republic can take the initiative on this issue and use experts to defend the interests of smaller businesses.

Source: EURACTIV.cz



WHAT TO EXPECT IN THE DIGITAL ECONOMY IN 2023

According to the Confederation of Industry of the Czech Republic (SP ČR) survey, among less than a hundred companies, which has been mapping for four years how domestic businesses are approaching digital transformation and Industry 4.0 technologies. However, the Digital transformation is not happening in a vacuum. The legislative environment determines our options and this is the expertise we need to address in detail. The strategic raw material of the digital economy is data which plays an ever-increasing role in the ability to develop technology, export it, participate in international cooperation, or forge regional alliances, including military ones. But what legislative innovations are coming in the digital economy, and which should companies follow?

First and foremost, is the Artificial Intelligence Act, the current draft, of which contains serious flaws that will severely limit the adoption of AI and use in practice.

In particular, we see the current proposal to classify high-risk systems and to bring so-called General-Purpose AI systems within the regulation's scope as critical obstacles. Our concerns about the development of the AI Act are also shared by all major European business federations and associations, which have endorsed BusinessEurope's unified position. This year we continue to negotiate, in particular with MEPs, but there have been a large number of amendments to the AI Act in the European Parliament. In addition, a mechanism for vetting contractors is part of the new Cybersecurity Act and other regulations. The SP ČR has been working with the National Cyber and Information Security Agency (NUKIB) in this area for a long time to ensure that the resulting mechanism does not disrupt business while guaranteeing the security of the Czech Republic.

And finally, we are facing challenges in cloud policy at the European level.

As a result, the proposal prohibits public administrations (with likely impact on other segments) from using cloud services provided by companies not based in the EU or owned by entities based in the EU. The SP ČR has long warned that such an approach would make it impossible to use cloud services from providers in the US, but also from other countries, and would also lead to technological isolation of the EU with negative impacts on economic growth and higher costs of services. We consider these political demands, which have nothing to do with cybersecurity and could have adverse effects on transatlantic cooperation, to be highly undesirable, not least in view of the complicated security situation caused by Russia's aggression in Ukraine.

Source: Confederation of Industry of the Czech Republic



OPEN DECLARATION OF CZECH INDUSTRY ON EURO 7



On April 24, the Czech Chamber of Commerce organized an expert round table that mapped the effects of regulation on companies operating in the automotive industry, on the availability of vehicles and transport services, employment and the Czech economy. An open declaration of Czech industry was signed at the end of the expert panel which hosted the rapporteur of the Euro 7 standard in the European Parliament, Alexandr Vondra, the Minister of Transport Martin Kupka, representatives of the most important business organizations (Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic) and the automotive industry.

The representatives of the industrial and employer unions of the Czech Republic, expressed full support for the Czech Republic's position on the European serious shortcomings and the overall unbalanced nature of the proposal, the proposal brings disproportionately negative impacts not only for the automotive industry of the Czech Republic Commission's proposal for the new Euro 7 emission standards. Due to a number of, serious shortcomings and the overall unbalanced nature of the proposal, the proposal brings disproportionately negative impacts not only for the automotive industry of the Czech Republic, but also for transport as a whole, including negative socio-economic

consequences, specifically on employment and the price of individual and mass mobility.

The proposed standard tightens the emission limits for passenger and freight transport and brings not only stricter limits for exhaust emissions, but also introduces completely new measurement of emissions from brake and tire wear. Even though the Czech automotive industry intensively supports, through massive investment in the development of emission-free technologies, EU goals aimed at improving air quality and the quality of health of the population, the proposal is viewed as counterproductive. Instead of reducing transport emissions, it effectively diverts much-needed investment resources into zero-emission technologies at a time when the auto industry is undergoing the biggest technological transformation in its history in connection with the transition to zero-emission mobility. At the same time the Czech industry is fighting to maintain its competitiveness and jobs, despite high inflation, the energy crisis and the need to retrain existing employees.

Studies show that even the most stringent Euro 7 scenarios would, at the expected rate of fleet renewal, reduce road transport NOx emissions by less than 5% for cars and vans and by around 2% for trucks. A similar situation also applies to a number of other monitored

emissions. On the other hand, systemic support for accelerating the renewal of the vehicle fleet with new vehicles (Euro 6), together with the electrification of new vehicles, would bring about a reduction of NOx emissions in road transport by 80% by 2035 (compared to 2020).

In the middle of 2022, the average age of passenger cars in the Czech Republic reached 15.73 years and the average age of all motor vehicles 18.73 years. This ranks the Czech Republic among the EU countries with the highest average age of the vehicle fleet. There will be an increase in the import of used vehicles and an increase in the period of use of old vehicles. This will defeat a number of commitments and objectives of the Green Deal for Europe.

The Czech industry fully supports all efforts to improve the environment and air quality, but does not consider the presented Euro 7 proposal, in its current form, to be beneficial or realistic. The short time frame for implementation, the proposed RDE testing conditions are just some of the many problematic provisions of this regulation and in many cases unrealistic and technically impossible to meet. Therefore, the representatives of industrial and employer unions of the Czech Republic fully support the position of the Czech government, which promotes rational and balanced amendments to the Euro 7 legislation.

Source: Czech Chamber of Commerce



CEBRE was founded in 2002 by the three most important Czech business organizations – Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.

EESC: NET ZERO INDUSTRY ACT

There is an intensive discussion in the EESC after the publication of Proposal for a regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act).

The EU is no longer an international forerunner and continues to lose influence, power and competitiveness. Its industrial companies suffer from fatally high energy prices, complex regulation, and problems with access to raw materials, as well as distorting subsidies for industry in other global economies.

To cope with the geoeconomic, technological, demographic, and environmental developments, the EU must provide its industry with the best conditions to innovate, invest, employ, operate and trade. To this end, policymakers need to align different policies to fundamentally strengthen the competitiveness of EU enterprises, across all industrial sectors and ecosystems:

- increase and accelerate investment in research and innovation and enhance the development of skills, talent and entrepreneurship, to respond to the current and future needs of industry,
- facilitate industry's access to energy and raw materials at reasonable prices, by enhancing well-functioning energy and raw material markets and favourable investment conditions,
- ensure the functioning of the Single Market and use its potential in enhancing and accelerating trade

agreements based on reciprocity and a level playing field,

- promote faster permit procedures to enable investments in industrial production and infrastructure and to facilitate labour migration,
- make sure that the regulatory and fiscal framework is supportive for EU industry's international competitiveness and its ability to effectively drive the digital and green transition.

Industry and its value chains form the foundation of the EU economy and prosperity. Industry is an integral part of the digital and green transition. To thrive and remain a global player, it needs favourable conditions to innovate, invest, employ, operate and trade. This requires a level playing field with international competitors, in terms of regulatory and fiscal burden and access to the markets of products and production resources. When reconciling different policy objectives, competitiveness must be given increased attention and weight.

Industrial companies play a decisive role in greening the economy and responding to the global need to combat climate change, environmental pollution and loss of biodiversity. They improve the environmental performance of their own operations and products and create solutions for reducing the environmental impacts of other businesses and whole society, with many "traditional" companies providing necessary raw materials and components or an innovation platform for new products and solutions.

Labelling individual sectors or product groups of industry as "greening" or "clean" ones, is thus not meaningful. All kinds of industries participate in the green transition and need policy conditions that maintain and strengthen their competitiveness while incentivising greening. Excellence and level playing field are key!

Source: David Sventek: EESC Member of Employers' Group

FLASHNEWS

THE FIFTH PUBLIC COMPETITION IN THE COUNTRY FOR THE FUTURE PROGRAMME

The fifth public competition in The Country for the Future programme has announced a single-stage public competition for research, development, and innovation on April 17th, 2023. The total subsidy for the project can be, at most, 20 million CZK.

CZECHS HAVE THE CHANCE TO PARTICIPATE IN A NEW ELECTRIC VEHICLE PROJECT

A Taiwanese company has formed an international consortium called Mobility In Harmony (MIH) to develop a modular electric vehicle that could be tailored to the customers' individual requirements. Foxconn has shown an interest in the Czech market, which is closely connected to the automotive supply chain.

THE FIRST QUARTER OF 2023 WITHOUT RUSSIAN GAS

The Czech Republic managed to eliminate its dependence on gas imports from Russia in the first quarter of 2023. In addition to reducing consumption, alternative gas supplies played an essential role in the current situation. These now come from Germany and, in addition to Norwegian gas, rely mainly on new LNG supplies from Belgium and the Netherlands.

