

FURTHER STRENGTHENING EU-JAPAN RELATIONS:
A PREREQUISITE FOR NAVIGATING THESE TURBULENT TIMES

JBCE ANNUAL REPORT 2022

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Alistair Dormer
President of JBCE

Foreword

On behalf of the Japan Business Council in Europe (JBCE) I would like to warmly wish you all a happy and healthy New Year. I am invited to reflect on the past year. It was certainly a turbulent one, with the weight of Russia's unprovoked war of aggression in Ukraine and the continuing economic recovery in the shadow of the Covid Pandemic.

The war and unprecedented economic situation also accounted for a historical turning point in European policy. The pressing realities of the new geopolitical order and energy market urged Europe to drastically accelerate its clean energy transition and increase its energy independence from unreliable suppliers and volatile fossil fuels. The EU's digital sovereignty and transformation have continued to be the top priority in 2022 and likely years to come. During these challenging times, EU foreign and trade policy is driven by cooperation with Japan and other allies to ensure stability and peace.

Despite numerous challenges and obstacles, JBCE has continued to act as a well-established bridge between the European Union and Japan. We pursued building and expanding our cooperation to maintain momentum and further deepen this mutually beneficial relationship.

This year was a success for the bilateral ties, marking the third year of the EU-Japan Economic Partnership Agreement (EPA). JBCE has been busy on many fronts making its voice heard: we have played a vital role at the 24th EU-Japan Business Roundtable in Tokyo supporting the EU-Japan Digital Partnership and organised together with DIGITALEUROPE and JEITA a conference at CEATEC – Japan's largest IT and electronics conference and exhibition. Further JBCE has advocated key dossiers for members in green, digital and trade policies. In the pages that follow, we outline the key dossiers and make recommendations to best convey JBCE's message to policymakers.

Now, more than ever, the EU and Japan are natural partners, defending common values. We can only hope and wish for a more peaceful new year, ushering in continued success and stability. 2023 will also mark the last full year of the current EU legislature, with many legislative achievements and developments on the horizon. JBCE is excited to see what the year ahead has in store. As such, we will continue to provide its utmost support to our members.

May you all have a peaceful and successful 2023. I very much look forward to our continued partnership in the new year and beyond.

Alistair Dormer

President of JBCE

Overview

WHO WE ARE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of nearly 100 multinational companies of Japanese parentage active in Europe.

Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, steel, textiles and glass products.

Building a new era of cooperation between the European Union (EU) and Japan is the core of our activities, which we perform under several committees focusing on: Corporate Policy, Corporate Social Responsibility, Digital Innovation, Environment & Energy, Standards and Conformity, and Trade.

OUR MISSION

We seek to:

- Build a bridge between the EU and Japan, and enhance Europe's understanding of Japanese companies and their contribution to the European economy
- Contribute to EU public policy by sharing our members' expertise with decision-makers across sectors
- Promote a favourable and predictable environment in which European and Japanese companies of all sectors can compete for sustainable growth in Europe

OUR PRIORITIES

- We promote open trade and investment
- We encourage a common regulatory framework
- We foster responsible business conduct

JBCE Structure

BOARD OF DIRECTORS

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Alistair Dormer

Representative Executive Officer,
Executive Vice President
Executive Officer, Hitachi Ltd.,
Chairman of the Board,
Hitachi Europe Ltd.

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Shozo Maeda

VICE-CHAIRMAN

Lars Brückner,

Director, NEC Europe Ltd

TREASURER

Katsumi Sugiyama,

Director,
Canon Europe Ltd.

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STANDARDS & CONFORMITY

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Takenobu Kurihara
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(Digital Innovation)



Jonathan Barker
Policy Manager
(Environment &
Energy)



Tetsusaburo Miura
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(Environment & Energy)



Hideaki Yonekubo
Policy Manager
(Environment & Energy)



Hidetaka Ozawa
Policy Manager
(Standards & Conformity)



Hideaki Asada
Policy Manager
(Trade)



Naomi Ota
Assistant

MEMBERS OF JBCE

ADEKA Corporation
 AGC Europe S.A.
 Aisin Europe S.A.
 Asahi Kasei Europe GmbH
 Azbil Corporation
 Bridgestone Europe NV/SA
 Brother Industries, Ltd.
 Canon Europe Ltd.
 Casio Europe GmbH
 Chino Corporation
 Citizen Watch Co., Ltd.
 Daikin Europe N.V.
 DENSO EUROPE B.V.
 Epson Europe B.V.
 Fuji Electric Europe GmbH
 Fuji Europe Africa B.V.
 FUJIFILM Europe GmbH
 Fujitsu Limited
 Fujitsu General (Euro) GmbH
 Hamamatsu Photonics K.K.
 Hebron, S.A.
 Hitachi Europe GmbH, Belgium Branch
 Honda Motor Europe Ltd, Belgian Branch
 Horiba, Ltd.
 Idemitsu Chemicals Europe GmbH
 ISHIDA.Co.,Ltd.
 Iwatani Corporation Europe Office
 Japan Quality Assurance Organisation / JQA EURO OFFICE
 JEOL Ltd
 JT International Holding B.V.
 JVC KENWOOD Corporation
 JX Nippon Mining and Metals Corporation
 Kawasaki Heavy Industries , Ltd
 Kaneka Europe Holding Company NV
 KEYENCE Corporation
 Kobelco Eco-Solutions Co.,Ltd.
 Komatsu Europe International N.V.
 Konica Minolta Business Solutions Europe GmbH
 KUBOTA HOLDINGS EUROPE B.V.
 Kuraray Co., Ltd.
 Kurita Water Industries Ltd.
 KYOCERA Document Solutions Europe B.V.
 Kyowa Hakko Europe GmbH
 Marubeni Europe PLC
 Marubeni-Itochu Steel Europe GmbH
 Mitsubishi Chemical Europe GmbH
 Mitsubishi Corporation, Corporate
 Management Support Office (EMEA)
 Mitsubishi Electric Europe B.V.
 Mitsubishi Heavy Industries France S.A.S.
 Mitsubishi Materials Corporation
 Mitsubishi Motors Europe B.V.
 Mitsui & Co. Benelux S. A./N. V.
 Mitsui Chemicals, Inc.

Mizuho Bank, Ltd.
 NAGASE (Europa), GmbH
 NEC Europe Ltd.
 NEOS Company Ltd.
 NGK Berylco France
 Nichia Corporation
 Nikon Precision Europe
 Nippon Sheet Glass Co., Ltd.
 Nippon Steel Europe GMBH
 Nissan Motor Manufacturing (UK) Ltd., Belgian Branch
 Nitto Denko Corporation
 Olympus Corporation
 Omron Europe B.V.
 ORIX Corporation
 Panasonic Europe B.V.
 Pioneer Europe N.V.
 Ricoh Europe PLC
 SCAS Europe S.A./N.V.
 SCREEN Holdings Co., Ltd.
 Sekisui Chemical GmbH
 Shimadzu Europa GmbH
 Shimano Europe B.V.
 Resonac Europe GmbH
 Sony Europe B.V.
 SUBARU Corporation
 Sumitomo Benelux S.A./N.V.
 Sumitomo Chemical Europe S.A./N.V.
 Sumitomo Electric Industries, Ltd.
 Sumitomo Mitsui Banking Corporation
 Sumitomo Rubber Industries, Ltd.
 TDK Europe GmbH
 Teijin Holdings Netherlands B.V.
 Tokyo Electron Limited
 Toray Industries Europe GMBH
 Toshiba Europe Ltd.
 Tosoh Europe B.V.
 TOTO LTD.
 Toyota Motor Europe NV/SA
 Yamaha Music Europe GmbH
 Yanmar Europe B.V.
 YASKAWA Europe GmbH
 Yokogawa Europe B.V.
 ZEON Corporation

In 2022, JBCE welcomed the following new members:

- **Sumitomo Rubber Industries, Ltd.** (1st April 2022)
- **Fuji Europe Africa B.V.** (1st April 2022)
- **TOTO Ltd.** (1st April 2022)
- **Idemitsu Chemicals Europe** (1st October 2022)
- **Kubota Holdings Europe B.V.** (1st November 2022)
- **Marubeni-Itochu Steel Europe GmbH** (1st December 2022)

THE EUROPEAN UNION AND JAPAN (2021)

EU-JAPAN TRADE RELATIONS (2021)

EU27 EXPORTS TO JAPAN

€ 62.4 BILLION

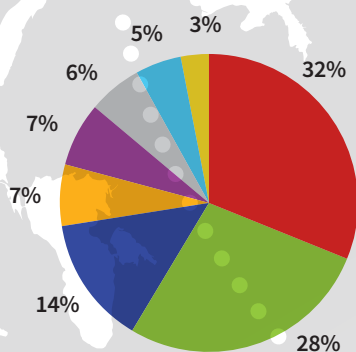
(2.9 % of total export of the EU)

EU27 IMPORTS FROM JAPAN

€ 62.3 BILLION

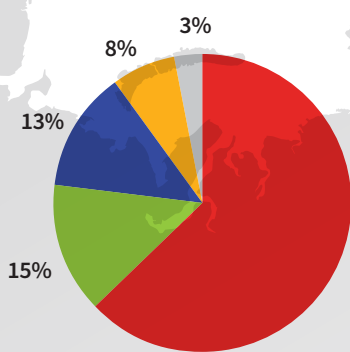
(2.9 % of total import of the EU)

EU27 EXPORTS TO JAPAN PER SECTOR IN %



source: [EU exports to Japan](#)

EU27 IMPORTS FROM JAPAN PER SECTOR IN %



source: [Imports from Japan](#)

- Machinery & Transport equipment
- Chemicals & related products
- Misc. Manufactured Products
- Manufactured goods classified chiefly by material
- Food and live animals
- Beverages & Tobacco
- Crude materials, inedible, except fuels
- Others

EU = JAPAN'S 3RD TRADE PARTNER

JAPAN = EU'S 7TH TRADE PARTNER

Source: [EU, Trade in goods with Japan](#)

JAPAN'S INVESTMENT IN EU (2021)

EMPLOYEES OF JAPANESE OVERSEAS AFFILIATES IN THE EU

418,752

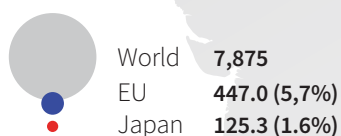
Source: [Statistics Bureau of Japan](#)

EU INWARD FDI STOCK FROM JP

€251.9 BILLION

Source: [JETRO](#)

POPULATION (MILLIONS)



Source: [Population and population change statistic](#)

SHARE OF WORLD GDP



Source: [EU in the World](#)

EU & JAPAN – KEY TRADE FIGURES

Japan is the EU's second-biggest trading partner in Asia, after China and the seventh largest partner for EU exports and imports of goods.

EU-Japan Agreement marks three years anniversary

The EU-Japan Economic Partnership Agreement entered into force on 1 February 2019, to remove tariffs and other trade barriers and to create a platform to cooperate in order to prevent obstacles to trade.

"[2022] marks three years since the EU-Japan Economic Partnership Agreement (EPA) entered into force. Over this period, it has proven to be the bedrock of the EU-Japan economic relationship and in 2021, trade in goods between the two partners recovered to pre-pandemic levels reaching 125 billion euros."

Source: [EU-Japan trade bounces back to pre-pandemic levels](#)

KEY EVENTS IN EU-JAPAN RELATIONSHIP (2022)

EU and Japan underline close cooperation on energy issues

On 25th March, the EU and Japan held a constructive bilateral meeting in Brussels between **EU Commissioner for Energy Kadri Simson** and **Japan's Minister for Economy, Trade and Industry Koichi Hagiuda**. During the meeting, both sides underlined the importance of the green energy transition and a common ambition to be climate-neutral by 2050.

"We had useful discussions today on the impact that Russia's invasion of Ukraine is having on the global energy markets. The EU counts on Japan as an ally in our efforts to stabilise the gas and oil markets and help Europe end its dependency on Russian fossil fuels. In this context, we are particularly grateful for their cooperation on LNG."

Kadri Simson, EU Commissioner for Energy

Source: [EU and Japan underline close cooperation on energy issues](#)

EU and Japan launched a digital partnership

On 12th May, the EU and Japan launched a **Digital Partnership**, the first that the EU had concluded with a partner country. This partnership will act as an instrument to foster joint work on digital technologies in areas such as secure 5G, "Beyond 5G"/6G technologies, safe and ethical applications of artificial intelligence, or the resilience of global supply chains in the semiconductor industry.

*"First, we are launching today the EU-Japan Digital Partnership. It is the first partnership of this kind that we conclude with any partner. A forum that will give **political steer** and impetus for our **joint work on digital technologies**. Because leadership in this field is essential to our competitiveness and security."*

Ursula von der Leyen, European Commission's President

Source: [EU-Japan Digital Partnership, Press Statement by President von der Leyen following the EU-Japan Summit](#)

28th EU-Japan Summit

On 28th May, the **President of the European Council, Charles Michel**, and the **President of the European Commission, Ursula von der Leyen**, representing the EU, met **Japanese Prime Minister Fumio Kishida** at the 28th EU-Japan summit in Tokyo, Japan. During the summit, the leaders adopted a joint statement launching the Digital Partnership. Also, the representatives of EU and Japan strongly condemned Russia's aggression, and pledged to continue providing coordinated political, financial, material and humanitarian support to Ukraine. On security and defense, leaders decided to enhance cooperation to ensure a free and open Indo-Pacific region and fully support ASEAN's unity and centrality.

*The EU and Japan have a deep and dynamic relationship. **Japan is our closest strategic partner in the Indo-Pacific region**. Russia's war against Ukraine has shown that **deeper cooperation is not a luxury, it's a vital necessity**."*

Charles Michel, President of the European Council

Source: [EU-Japan summit - Consilium \(europa.eu\)](#), [Joint Statement EU-Japan Summit 2022 - Consilium \(europa.eu\)](#)

EU and Japan start negotiating to include rules on data flows in their Economic Partnership Agreement

At the beginning of October, **the EU and Japan initiated negotiations** to include rules on data flows in the Economic Partnership Agreement. The provisions on cross-border data flows should benefit business on both sides, and the aim is to ensure cross-border data flows by prohibiting unjustified data localisation requirements, while preserving the EU's regulatory autonomy in the area of personal and non-personal data protection and cybersecurity. A further round of negotiations was held in December.

"The digital transition is a top priority for the European Commission. By incorporating modern digital trade rules into our agreement with Japan, we can shape the global rulebook, in the interests of our values, our consumers and our businesses."

Source: EU and Japan start negotiations to include rules on cross-border data flows in their Economic Partnership Agreement

EU and Japan strengthen economic cooperation through High Level Dialogue

On **25th October**, the EU and Japan held their **second High Level Dialogue** discussing the current economic and geopolitical challenges. The representatives focused on the follow up to the 12th WTO Ministerial Conference, and sustainable finance. On support for the rules-based order, the EU invited Japan to join the multi-party interim appeal arbitration arrangement (known as the 'MPIA'), a stopgap arrangement open to all WTO Members until a lasting reform of WTO dispute settlement has been agreed multilaterally. Further, they discussed the Japan's 2023 G7 Presidency, on which the two sides agreed to maintain close cooperation in the areas of securing a global level-playing field and economic security.

"Japan's 2023 G7 Presidency comes at a crucial time, and the EU stands ready to work closely with our Japanese partners in the year ahead."

Executive Vice-President and Commissioner for Trade, Valdis Dombrovskis

Source: EU and Japan strengthen economic cooperation through High Level Dialogue

EU and Japan step up cooperation on hydrogen

On **2nd December**, the EU and Japan signed a **Memorandum of Cooperation** to stimulate innovation and develop an international **hydrogen market**. The EU and Japan will work together on sustainable and affordable production, trade, transport, storage, distribution and use of renewable and low-carbon hydrogen. The cooperation will help to establish a rules-based and transparent global hydrogen market without distortions to trade and investment.

"Today's agreement confirms the commitment of the EU and Japan to work together on hydrogen, which is key for both our climate goals and energy security. This Memorandum of Cooperation is an important milestone in deepening the EU's energy cooperation with Japan, which is based on shared values and interests."

Kadri Simson, EU Commissioner for Energy.

Source: EU and Japan step up cooperation on hydrogen, Memorandum of Cooperation

GREEN TRANSITION



RESTRICTION OF THE USE OF HAZARDOUS SUBSTANCES IN ELECTRONICS (ROHS)

Background

The European Commission announced the revision of EU rules restricting the use of hazardous substance in electronics in 2021. The **original RoHS Directive from 2011** lays down rules on the restriction of the use of hazardous substances in electrical and electronic equipment (EEE), with a view to contributing to the protection of human health and the environment, including the environmentally sound recovery and disposal of waste EEE. The **evaluation of the RoHS Directive has identified a range of issues** with the practical operation of the Directive and some systemic issues, pointing to the high administrative burden and complexity of provisions and processes in place. The objective of the revision is to be sure that the **RoHS Directive helps protect human health and the environment** while ensuring **harmonised application on the EU market**. The controversial points are the following: exemptions, spare parts, substance restriction assessment, and consistency with related EU legislation.

The proposal was originally planned for publication by the end of 2022 but the process of reviewing the Directive has required more time and has been postponed until 2024.

JBCE's message

JBCE's overall position is that the **RoHS Directive functions well** and has contributed to protecting the environment and human health. Hence, **major changes** – such as repealing the RoHS Directive or incorporating it into other legislation – **are not desired**.

Timeline

- **October 2021**
The European Commission announced the revision of RoHS Directive
- **February – March 2021**
The European Commission launched a call for evidence for an impact assessment was open for feedback
- **March 2022**
The European Commission launched public consultation on the review of the RoHS Directive
- **Q2 2023**
Publication of revised RoHS Directive
- **2024/2025 (TBC)**
Negotiations between the Council and the Parliament

CLP REGULATION

Background

On 19th December, the European Commission proposed a revised Regulation on classification, labelling and packaging of chemicals (CLP) and introduced new hazard classes for endocrine disruptors and other harmful chemical substance to better protect people and the environment from hazardous chemicals. It sets out common rules on labelling for consumers and workers to enable them to make informed decisions when purchasing or using dangerous products. The revision of the CLP, alongside the planned revision of the REACH Regulation, is an important deliverable of the Chemicals Strategy for Sustainability, which is a key building block of the European Green Deal.

The Regulation will now be subject to the approval of the European Parliament and Council as part of the ordinary legislative procedure.

JBCE's message

JBCE supports the risk-management approach based on chemical substances and mixtures. The use of higher-hazard substances and mixtures should be restricted but a sufficient scientific evaluation and transition period should be considered. In addition, these evaluations should be made with consideration of practicality and feasibility from an international perspective. Clear guidance documents should be presented to avoid wrong and inadequate interpretations of the newly introduced proposed criteria.

1. **Consistency between CLP and UN GHS** to avoid confusion in the global supply chain, these issues should be fully discussed in a transparent manner from an international perspective
2. **Transition Period:** European Commission should issue clear guidance documents prior to the adoption of the legal text.
3. **Hazard Classes:** an evaluation of the various properties of chemicals and compounds should be based on reliable data.
4. **Impact of CLP changes on other manufacturing sectors:** need to evaluate the impact on various downstream sectors. Ongoing discussions on the GRA (Generic Risk Management Approach) of the REACH revision and the substances of concern in the draft Ecodesign Regulations.

Timeline

- **May 2021**
The Commission published roadmap for revision of CLP
- **August 2021**
The Commission opened public consultation
- **September and November 2022**
CARACAL on new hazard classes
- **19 December 2022**
The Commission published the revised CLP
- **Q1 2023 (TBC)**
The Parliament and the Council begin discussions on the proposal
- **Q3/Q4 2023 (TBC)**
Adoption in the main committee and Council's general approach
- **Q3 2024 (TBC)**
Trilogue negotiations start
- **Q1 2024 (TBC)**
Political agreement reached, adoption of legislative proposal

REACH REGULATION

Background

The Commission has begun work on a revision of the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation in 2007 as a part of the **Chemicals Strategy for Sustainability**. The overall objective of the revision is to innovate safe and sustainable chemicals and promote high level of protection of health and the environment. The revision focuses on: Registration requirements (incl. identification of all carcinogenic substances, polymers of concern, and overall environmental footprint of chemicals), Introduction of Mixtures Assessment Factor(s) (MAF), Simplifying supply chains' communication, Provisions for dossier and substance evaluation, Authorisation process, Restriction process, Introducing Essential Use Concept, Expanding the Generic Risk Management Approach, and provisions for control and enforcement.

JBCE's message

JBCE supports overall the objective but would highlight three blocking points:

1. Generic Risk Management Approach

- Not all the aspects mentioned in the REACH revision consultation are currently identified as hazard classes.
- The GRA approach does not distinguish between hazard and risk.
- The GRA should not be extended to professional uses.

2. Reform of authorisations and restrictions' processes

- Authorisation processes are a valid process for all stakeholders in this supply chain. They should be chosen for simplification purposes. However, fairness is required for all stakeholders, such as certainty of plans and competitiveness with non-EU manufacturers and this could be further improved.
- Restriction processes should incorporate scientific requirements as well as clear and detailed procedures like the authorisation process, as well as the authorisation process.

3. Essential Uses Concept

- Inclusion of 'essentiality' into the REACH restriction & authorisation regime must be based on a broad legal and political consideration.
- Amendment of the conditions for REACH restriction: Article 68 by simple inclusion of 'essential uses' concept, in particular to apply to every substance (whether as a single substance or a group of substances) and every end use, would have a negative impact on innovation in EU, which consequently might cause the loss of EU global competitiveness.

Timeline

- **May 2021**
The Commission published roadmap for the revision of REACH
- **January 2022**
The Commission launched public consultation
- **September 2022**
– Regulatory Scrutiny Board
- **October 2022**
REACH committee meeting
- **Q4 2023 (TBC)**
The Commission publishes the proposal on the revision of REACH
- **2025 (TBC)**
Adoption of proposal

BATTERIES REGULATIONS

Background

Batteries are critical to the EU's clean energy transition. For that reason the European Commission presented a proposal to modernize the regulatory framework for batteries and secure the sustainability and competitiveness of EU battery value chains. The Batteries Regulation aims to harmonise product requirements for batteries, minimize environmental impact of batteries, "close the loop" by encouraging reuse and improving batteries collection and recycling of materials, and to **provide legal certainty** to unlock investments and boost the production capacity for sustainable batteries in Europe and beyond. This will be achieved by new requirements for sustainability and safety, **performance and durability**, **labelling** and information e.g. on hazardous materials, and **end-of-life** management – increased separate collection, recycling and materials recovery.

The objective is to support development of circular and resource-efficient approaches, reduce dependency on virgin materials and the environmental impacts of their extraction, and contribute to renewable energies; achieving climate neutrality by 2050.

JBCE's message

JBCE would like to highlight the following points requiring particular attention:

1. In general, effort needs to be made to ensure **sufficient lead time** (also in consideration of the availability of notified bodies).
2. Regarding **information requirements** and the BMS SOH (Battery Management System State-of-Health) data provision, efforts need to be made to harmonize the battery data sharing regulatory framework to **avoid lots of overlapping** between **regulatory initiatives** (such as with Euro VII and UNECE GTR No. 22).
3. Regarding removability and replaceability, sufficient consideration needs to be given to the necessity to ensure consumer safety by allowing for the possibility of portable batteries being **removed and replaced by independent operators**.
4. It is necessary to **ensure that innovation is not inhibited** by requiring that new and innovative battery materials (which are not yet produced at scale and therefore have a relatively high CFP) be subject to the same requirement as already commercialized materials.
5. Fair and comparable requirements should be ensured when the carbon footprint (**CFP**) **calculation methodology is extended** to other battery types not considered in the batteries PEFCE (e.g. those for HEVs).
6. It is necessary to ensure that **guidance regarding the implementation** of the Batteries and Waste Batteries Regulation (e.g. regarding removability and replaceability) be provided in a timely manner and that continued consultation with stakeholders in industry be ensured throughout the process.

Timeline

- **10 December 2020**
The Commission presented the proposal
- **April 2021**
Work in the Parliament and the Council began
- **10 March 2022**
The Parliament adopted its position
- **17 March 2022**
The Council adopted its position
- **20 April 2022**
Trilogue negotiations started
- **9 December**
The Parliament and the Council reached a provisional agreement
- **March 2023 (TBC)**
The Parliament and the Council votes on draft agreement
- **2Q 2023 (TBC)**
Publication of the final agreement in Official Journal of the EU

ESPR

Background

On 30th March, the Commission submitted a proposal for a regulation on eco-design requirements for sustainable products. The proposal was published as part of the circular economy package I, which also included a communication on making sustainable products the norm, a proposal for a directive empowering consumers for the green transition, a proposal for a revised Construction Products Regulation and a strategy for sustainable and circular textiles. This proposal is the cornerstone of the Commission's approach to **more environmentally sustainable and circular products**. It builds on the existing **Ecodesign Directive**, which currently only covers energy-related products. The proposal establishes a framework to set **ecodesign requirements** for specific product groups to significantly **improve their circularity, energy performance and other environmental sustainability aspects**.

It will **impact almost all categories of physical goods placed on the EU market** (exception for food and feed). For groups of products that share sufficient common characteristics, the framework will also allow to set horizontal rules.

Some **key requirements** proposed are the following: product durability, reusability, upgradability, and reparability, presence of substances of concern that inhibit circularity, energy and resource efficiency, recycled content, remanufacturing and recycling, carbon and environmental footprints, and information requirements, incl. Digital Product Passport.

JBCE's message

JBCE supports the EU's ambition to make sustainable products the norm in the EU but emphasises that the requirements for achieving this should be workable and feasible from an industry perspective but also from a market surveillance perspective. JBCE also suggests the organisation of workshops and the provision of guidance for the respective ESPR requirements for stakeholders to better understand the provisions.

- **Need for a product-group-specific approach**
- **Proportionality among requirements:** a step-by-step approach should be favoured, starting with minimum requirements, and introducing a review process to assess the effectiveness of the measures before setting additional requirements.
- **Ensure alignment with existing legislation:** Avoid duplication or conflict with other legislation such as REACH, CLP, and RoHS.
- **Single-market fragmentation:** replacement of the Ecodesign Directive with an ESPR Regulation is a good thing. Harmonised rules should be introduced at EU level to avoid fragmentation of the EU's internal market.

The following items are of concern to JBCE:

- Ecodesign Requirements
- Substances of concern
- Environmental impact, including carbon and environmental footprint
- Information requirements
- Digital Product Passport
- Labels
- Market surveillance
- Common specifications
- Incentives for sustainable business models

Timeline

- **30 March 2022**
The Commission published the ESPR proposal
- **September 2022**
Work in the Parliament and the Council began
- **Q1 2023**
The Commission publishes ESPR working plan (2024 2027/8/9) outlining first Delegated Acts to be adopted
- **18 January 2023**
Deadline for amendments in the main committee (ENVI)
- **Q1 2023**
The Council adopts its general approach
- **June 2023 (TBC)**
The Parliament to adopts its position
- **Q2 2023 (TBC)**
Trilogue negotiations begin
- **Q4 2023**
Adoption of the proposal

CARBON CAPTURE, USAGE AND STORAGE TECHNOLOGIES

Background

EU's attention to CCS and CCU technologies has long been limited to two main aspects: Research and Innovation funding, and the regulation of CO₂ storage (through the 2009 "CCS Directive"). CCS/CCU were until recently perceived as immature technologies by Brussels. However, when climate neutrality emerged as the driving principle of EU policies in 2019, and the question of hard-to-abate sectors rose to the top of the EU's climate agenda, a shift in attitude was initiated. With the EU **Climate Target Plan**, the Commission officially added CCS and CCU to the climate toolbox, focusing largely on industrial applications. With the 2020 revision of the TEN-E Regulation, the 2021 Fit for 55 Package or more recently the REPowerEU Plan, the EU is progressively establishing rules around CCS/CCU technology use and offering new funding opportunities, although there has not yet been a clear call for a full-fledged CCS/CCU internal market framework.

In December 2021, the Commission adopted a **Communication on Sustainable Carbon Cycles** on as part of the 2nd batch of the "Fit for 55" Package. It lists key actions to support industrial CCUS, including the assessment of cross-border CO₂ infrastructure deployment.

In November 2022, the European Commission adopted a proposal for EU-wide voluntary framework to certify carbon removals. In parallel, the EC has started analysing an outline of the CO₂ transport and storage infrastructure in 2030 and 2040 and expects results in early 2023.

The controversial point is that carbon removals are at risk of **uncontrolled re-emission** and **specific measurement difficulties**, which will lead **uncertainty of estimates**.

JBCE's message

In CCUS related policies, JBCE's key areas of focus are two points below.

1. CCUS certification scheme

JBCE would monitor requirements for monitoring standards, reporting protocols and verification means of carbon removals:

- CCS
- CCU (production of chemicals, plastics or fuels)
- Direct Air Capture (DAC)
- Direct Air Carbon Capture and Storage (DACCS)
- Bio-Energy Carbon Capture and Storage (BECCS)

2. Relationship with other policies

JBCE would monitor relationship and harmonization progress with other related policies shown below.

- EU-ETS, CBAM
- Product and Organisation Environmental Footprint (PEF/OEF)
- International rules such as ISO, GHG protocol

Timeline

15 December 2021

The Commission published Communication on Sustainable Carbon Cycles

7 February 2022

The Commission opened call for evidence on carbon removal certification

2 May 2022

Call for evidence closed

30 November 2022

The Commission published a proposal on a certification framework for carbon removals

2023 (TBC)

The Commission plans to present a strategic vision for CCUS in 2023

HYDROGEN STRATEGY

Background

The EU strategy on hydrogen was adopted in 2020 and put forward a vision for the creation of a European hydrogen ecosystem from research and innovation to scale up production and infrastructure to an international dimension.

Several proposals are currently impacting the European strategy regarding hydrogen.

• RED III

On 14th July 2021, the European Commission (EC) presented a proposal to amend the “Renewable Energy Directive” (RED II) as part of the “Fit for 55” Package. The key controversial point concerns “**additionality**”. This proposal would increase the binding EU minimum share of RES in final energy consumption to 40 % by 2030, in effect doubling the share of Renewable energy sources in the energy mix over the course of a single decade (2021-30). Further, it requires green hydrogen producers to source electricity from dedicated green-energy projects, with grid-sourced electricity allowed only when it could be offset with dedicated supply within the hour.

• Gas & Hydrogen Markets Regulation and Directive

As part of the European Green Deal, the European Commission announced a legislative proposal on 15th December 2021 to substantially revise (recast) the 2009 EU gas regulation and make a targeted revision of the 2017 regulation on security of gas supply. These proposals promote the expansion of hydrogen use and the facilitation of cross-border distribution. The key controversial point of these initiatives is **the definition of renewable & low-carbon hydrogen**.

JBCE’s message

In hydrogen related policies, JBCE’s key areas of focus are the two points below.

1. Green hydrogen definition “additionality” (RED III)

The green hydrogen criteria, “additionality”, is firstly defined by the EC in the delegated act of “RED II”, however MEPs wished to specify and simplify the “additionality” criteria directly into Article 27 of “RED III” and weaken the requirements of green hydrogen criteria. JBCE closely monitors this trend because this green hydrogen production definition affects green hydrogen producers in the EU.

2. Renewable & Low-carbon hydrogen definition

JBCE closely monitors renewable & low-carbon hydrogen definition because these GHG-reduction threshold from non-renewable hydrogen are defined across multiple policies as follows and harmonization will be needed.

[Renewable hydrogen definition]

- RED III (Article 29a); 70%
- CertifHy (European initiative of developing hydrogen certificate) ; 60%

[Low-carbon hydrogen definition]

- Gas & Hydrogen Markets Directive (Article 2 & Article 8); 70%
- CertifHy (European initiative of developing hydrogen certificate) ; 60%

EU-Taxonomy also demands 73.4% threshold for hydrogen and 70% for E-fuels.

Timeline

14 April 2021

The Commission published the RED III Proposal

14 December 2021

The Commission presented the revision of the 2009 EU gas regulation and gas directive

27 June 2022

The Council adopted its mandate on RED III

June 2022

ITRE Committee published a draft report on the EU Gas Regulation

14 September 2022

The Parliament adopted its position on RED III

October-December

Interinstitutional negotiations on RED III

Q1 2023

Continuation of the interinstitutional negotiations on RED III

February 2023

Voted in EP ITRE committee on Gas and Market Regulation & Directive

March 2023 (TBC)

The Council to adopt its position on Gas and Market Regulation & Directive

REGULATION ON FLUORINATED GREENHOUSE GASES

Background

On 5th April 2022, the European Commission presented to the Parliament and Council the proposal on fluorinated greenhouse gases. The proposal aims to ensure better enforcement through clarification and strengthening of existing rules. The EU's F-gas regulation aims at **controlling emissions from fluorinated greenhouse gases** (F-gases), including **hydrofluorocarbons** (HFCs). The first regulation was promulgated in 2006 and amended in 2014. The Commission proposes to **align** the F-gas Regulation with the **European Green Deal** (the European Climate Law), recent international obligations on HFCs under the **Montreal Protocol** and **incorporate progress** made and **lessons learned**.

The review intends to deliver **higher ambitions**, ensure **compliance** with the **Montreal Protocol**, improve **enforcement and implementation**, and achieve more **comprehensive monitoring**.

JBCE's message

JBCE generally welcomes the revision of the 2014 F-Gas Regulation and remains committed to achieving further emission reductions from F-Gases.

JBCE believes the **HVAC industry can support and contribute to EU's climate goals** and the **challenges to reduce the EU's energy dependency on fossil fuels** in the heating and cooling sector especially in light of the recent geopolitical events, via the uptake of energy efficient heat pumps.

The contribution of heat pumps in this respect was recognised in the Commission's March 2022 **RePowerEU** Communication which **targets an accelerated deployment of heat pumps aiming at 30 million by 2030**.

However, JBCE has strong concerns that the needed acceleration of heat pumps in the market will be hampered by the current Commission proposal.

Indeed, JBCE believes **the industry should be allowed to opt for the most appropriate refrigerant per application following a comprehensive assessment, not using GWP as a sole factor**, to contribute to the EU climate and energy targets.

Therefore, the Japanese industry proposes amendments in order to promote decarbonisation and shift away from a dependency on natural gas by accelerating the installation of HPs.

Timeline

- **5 April 2022**
The Commission presented the proposal
- **10 October 2022**
Draft report by the ENVI committee
- **17/18 November**
Most recent compromise by the Czech Presidency
- **20 January 2023**
Most recent compromise text by the Swedish Presidency
- **24 January 2023**
Vote in the ITRE committee
- **Beginning March 2023:**
Vote in the ENVI committee
- **March/April 2023 (TBC)**
Vote in the Parliament plenary
- **Q2 2023 (TBC)**
Beginning of trilogues
- **Q4 2023 (TBC)**
Final agreement and adoption

DIGITAL TRANSFORMATION

A decorative graphic consisting of a grid of teal dots of varying sizes, arranged in a pattern that curves from the top right towards the bottom left, creating a sense of motion and digital connectivity.

AI ACT

Background

On April 21, 2021, the European Commission published the proposal for a “Regulation on a European approach for Artificial Intelligence (AI Act). The goal of the Artificial Intelligence Act is to **foster the development and uptake of safe and trustworthy AI** in both the **private and public sectors**. The proposal follows a **risk-based approach** and notably aims to establish definitions, address risks created by AI applications, establish a governance structure and enforcement mechanisms, foster industry codes of conduct, and introduce penalties for non-compliance. It introduces **harmonised rules for the EU**, notably on unacceptable AI practices, like social scoring, requirements for high-risk AI systems, transparency requirements for limited-risk AI systems, and rules for monitoring and surveillance.

The regulation introduces harmonised rules for the EU, notably on unacceptable AI practices, like social scoring, requirements for high-risk AI systems, transparency requirements for limited-risk AI systems, and rules for monitoring and surveillance. Once adopted, the regulation will be directly applicable across the EU.

JBCE’s message

JBCE welcomes the proposal and **supports the horizontal framework** to ensure human centric **deployment and use of artificial intelligence**. However, JBCE is concerned that the AI Act’s requirements will be excessively **strict** with the scope of prohibited AI and that the high-risk AI will need to be further clarified. The potential stifling of innovation in the field of artificial intelligence could compromise the European Union’s ability to remain competitive in this sphere. This may also deter foreign companies from conducting business within the European Union market. Thus, JBCE will contribute to find an **appropriate balance between regulation and innovation**. In addition, as JBCE thinks that “autonomy” is the key to differentiate AI systems from other software, the definition of artificial intelligence should be aligned with OECD. Furthermore, JBCE would like the EU policy-makers to continue involving businesses in the discussions of the AI Act and relevant legislations. As companies progress in their development of artificial intelligence systems, any legislation that does not take into consideration the perspectives of these businesses would be misguided.

Timeline

- **21 April 2021**
Proposal for AI Act was released
- **20 April 2022**
Draft Report from the Parliament
- **14 June 2022**
Amendments were published at the Parliament
- **6 December 2022**
The Council reached a general approach
- **February or March 2023 (TBC)**
The Parliament Plenary Vote
- **Q4 2023**
Adoption of AI Act

DATA ACT

Background

The **European Data Strategy**, presented by the European Commission in February 2020, sets out to make the **EU a leader in the data-driven society**.

Following the Data Governance Act (DGA) in November 2020 as a framework for governing common European data spaces, the Data Act was published in February 2022. It aims to remove barriers to access data for both consumers and businesses in a context where the volume of data generated by humans and machines is increasing exponentially.

The Data Act aims to ensure that **users of a product or related service** in the Union can access, in a timely manner, the **data generated using that product or related service**, sets out the general rules applicable to **data provision obligations**, provides for the **use by public sectors of data held by enterprises in exceptional situations**, and introduces **minimum regulatory requirements** imposed on **providers of cloud** and other data processing services, to enable switching between such services and so on.

JBCE's message

JBCE welcomes that the proposal of Data Act promotes fairness in the use of and access to data. We believe that the **use of data** among various stakeholders is **essential to strengthen the competitiveness of companies** and to create a fair society where everyone has the opportunity to innovate.

However, we are concerned that **certain types of requirements** within the proposed act are **too prescriptive** and could therefore represent a **risk to innovation**, rather than an opportunity to help drive it. Additionally, we would like to draw attention to the fact that the DA **overlaps with many other pieces of legislations** (e.g., GDPR). We therefore believe that the legislation should be amended with this in mind.

We would like the **new legislation to strike a balance between rights to access data and incentives to invest in data**, with a simple and workable framework for all stakeholders.

With that in mind, JBCE's concerns are related to the following points:

- Some **definitions** (e.g., data, data holders) could be further clarified.
- **Balance of rights between B2C/B2B** in data sharing should be pursued to pay full respect to development efforts and **trade secrets**.
- The new **data portability** right should be **aligned with the personal data portability right** envisaged in the GDPR.
- It is an excessive burden to design all products and related services to make data easily and directly accessible to users by default.
- Clarification should be provided to **narrow "an exceptional need"**.
- **"Functional equivalence"** is an appropriate language when it comes to **switching between data processing services**.
- **International data transfers** should be carefully considered in accordance with international standards.
- **Penalties should be well-balanced** so as not to discourage business.

Timeline

- **23 February 2022**
Proposal for Data Act was released
- **May 2022**
The partial compromise text from the Council
- **14 September 2022**
Draft Report from the Parliament
- **6 December 2022**
The partial compromise text from the Council
- **March 2023 (TBC)**
The Parliament Plenary Vote
- **March 2023 (TBC)**
The Council to adopt its position
- **Q2 2023 (TBC)**
Start of interinstitutional negotiations
- **Q4 2023 (TBC)**
Adoption of the legislation

MACHINERY PRODUCTS

Background

The revision of Machinery Directive, which was published in 2006 and became applicable as of December 2009, identified a number of issues, for example concerning the monitoring and enforcement of the Directive. On 21st April, the Commission put forward a proposal for a new Regulation on machinery products, as a part of a wider “AI package”. The proposal addresses inconsistencies with other pieces of product-safety legislation and tackles the challenges that may arise from technical progress in digitization. The new Regulation will ensure the **safe integration of artificial intelligence (AI) systems** into machines and thus encourage innovation.

The revised directive seeks to tackle the following assessment on the Machinery Directive, insufficient coverage of new risks stemming from the new digital technologies, legal uncertainty due to a lack of clarity regarding the scope and definitions and possible safety gaps in traditional technologies, insufficient provision for high-risk machines, costs due to extensive paper-based documentation, inconsistencies with other pieces of EU product safety legislation, and divergences in interpretation due to transposition (hence the regulation).

JBCE’s message

JBCE welcomes the proposal but is concerned about the following points:

1. **Harmonisation & alignment with EU law:** Coherence and alignment must be guaranteed, not only with other Directives/Regulations under the New Legislative Framework (NLF), but also with AI and Cybersecurity-related legislative initiatives.
2. **AI and Cybersecurity issues:** It is crucial to avoid overlaps and ensure alignment with the latest EU legislative initiatives:
 - For **AI or human-robot collaboration**, the Machinery Regulation should only focus on **essential health and safety requirements**, which must themselves be set in a **technologically neutral way**, and **independent from user cases**.
 - For **cybersecurity**, the Machinery Regulation focuses on the safety and the placing of products on the EU market - which is a very different objective than making products more secured against cyber-attacks. The **requirements for manufacturers** of machinery be implemented in the EU via **voluntary certification and labelling**, for instance through the Cybersecurity Act and be based on existing international standards (e.g., ISO 27001).
3. **Scope and definitions:** It is not appropriate to regulate **software update** in the framework of the Machinery Regulation.
4. **Conformity assessment:** Mandatory third-party conformity assessment will increase costs, create more administrative burden for companies and authorities, and increase the time required to access the market. JBCE would be in favour of retaining the self-assessment option.
5. **International Standardization:** Alignment with international ISO/IEC standards is needed when drawing up standardisation requests and recognising harmonised standards to ensure a level-playing field in the EU. The Commission to **refrain from adopting technical specifications as alternatives to harmonised standards**.
6. **Enforcement:** JBCE has some concerns about lack of clarity on the exact modalities of **digital format**.

Timeline

- **21 April 2021**
The Commission presented a proposal for a new Regulation on machinery products
- **2 May 2022**
The Parliament adopted its position
- **24 June 2022**
The Council adopted its mandate
- **July 2022**
Trilogue negotiations started
- **15 December 2022**
The Parliament and the Council reached a political agreement
- **Q1 2023**
Publication of the Regulation
- **2026 (TBC)**
Regulation enters into force

REGULATION ON GENERAL PRODUCT SAFETY

Background

On 30th June 2021, the European Commission adopted a proposal for a new general product safety regulation with a view of improving the safety of non-food consumer products on the internal market. Announced in the new consumer agenda strategy, the proposal aims to replace the current General Product Safety Directive, as part of the regulatory fitness and performance programme (REFIT). The current General Product Safety Directive **protects consumers** by ensuring that **only safe goods are sold on the EU market**. The Commission's proposal revise the following:

- Responding to issues related to new technologies and online sales
- Ensuring better enforcement of the rules and more efficient market surveillance
- To simplify the standardisation process
- Improve the recall of dangerous products in the hands of consumers

Specific provisions of the proposal include: Subject matter, Clarification of definitions, Obligations of manufacturers, Information to economic operators, Obligations of economic operators in case of accidents related to safety of products, Information requirements in electronic format, Specific obligations of online marketplaces related to product safety, Market surveillance, Consumer safety network and international cooperation, and Entry into force.

JBCE's message

JBCE welcomes the proposal for the GPSR, which also addresses New Legislative Framework (NLF) and Market Surveillance Regulation, and to reduce the costs of transposition with the choice of a Regulation.

Key proposals by JBCE include:

- **Article 3: Definitions**
Compatibility of products: adding a provision stating that where a product is claimed to be "compatible" with an original equipment manufactured (OEM) product, it should be required to meet/comply with all the same health and safety requirements of the original OEM product.
- **Article 6: Presumption of Safety**
A well-functioning standardization system is already established by European Commission. The safety and technical requirements covered by different implementing acts aspects will be against the principle of the New Legislative Framework. The procedure for adopting implementing acts and its requirements should be made clearer.
- **Article 7: Aspect of Assessing the safety of Products**
There are horizontal regulations on Cybersecurity and AI expected to come which will fully cover this issue. JBCE is concerned about the duplication of the work for the manufacturer.
- **Article 15: Responsible Person**
A sample testing by the responsible person is an extra burden on the industry. Also, the products in scope of GPSR are already a very low risk products and testing these products will be an extra cost on the manufacturer so JBCE recommends deleting this requirement.
- **Article 47: Transitional Period**
At least 24 months for the companies to implement the requirements and comply with the new GPSR regulation are needed.

Timeline

- **1 July 2021**
The Commission adopted the proposal for the GPSR
- **10 December 2021**
Draft report published by the main committee (IMCO)
- **16 June 2022**
IMCO adopted the report
- **20 July 2022**
The Council adopted its general approach
- **29 November 2022**
Provisional agreement between the Parliament and the Council was reached
- **March 2023 (TBC)**
Adoption of the proposal

NEW LEGISLATIVE FRAMEWORK FOR INDUSTRIAL PRODUCTS

Background

On 11th November 2022, the European Commission presented “**Evaluation of the New Legislative Framework**” (NLF) involving the opinions of national authorities, manufacturers, distributors, importers, Notified Bodies, and consumer organizations. Digital and green transformation was also at the core of the discussion. Since the adoption of the New Legislative Framework in 2008, industry and products have transformed radically, in particular due to the ongoing digital and green transitions.

The New Legislative Framework (NLF) for industrial products in the EU aims to improve the internal market for goods by improving market surveillance and boosting the quality of conformity assessments. Given the evolving technological landscape, this initiative seeks to evaluate whether the NLF remains fit for purpose in a digital and circular economy. The evaluation focused on soft- and hardware updates and upgrades, refurbishment and repairs, conformity assessment and accreditation.

JBCE’s message

Legal, technical and commercial developments are changing the way a product is assessed, placed on the market, updated, as well as the way information is shared, including with the end user of the product and market surveillance authorities. Therefore, JBCE welcomes the assessment of the NLF and wishes to convey the following messages:

- For products whose characteristics may be changed through their lifetime, any new roles and obligations shall be attached to the operator who brings those changes to the product and shall apply only where new or extended risk is introduced or the intended use of the product is changed. The existing NLF provisions are sufficient for **remanufactured product** outside the above category.
- The **toolbox of conformity assessment procedures** is adequate for addressing the categories of products presenting various levels of risk. The NLF should not be adjusted to solve problems not directly attributable to it (e.g. inefficient citation of harmonised standards).
- **Notified bodies’ opinions** are usually based on available harmonised standards, in such situation their added value is limited to the identification of the proper standard. Where harmonised standard is not available, alignment of opinions based on common approach from different Notified bodies might be a subject of interest. Also, the information from Notified bodies to the manufacturers about the evaluation of the state of the art applicable to the approved product is rarely practiced despite the requirement according to the NLF. These three points shall be subject to further evaluation.
- An **e-labelling** solution would seriously contribute to the reduction of the environmental footprint in line with the Circular Economy principles. This proposal shall be part of the evaluation. The **CE marking** shall remain the reference mark to indicate full compliance with the essential requirements and additional markings or indications requested by individual member states to demonstrate compliance shall be avoided at all times.
- The lack of a **crisis instrument** for urgency situations does not render the NLF less effective or efficient as the NLF together with Regulation (EU) 2019/1020 address such crises situations.

Timeline

- **2008**
the Parliament and the Council jointly adopted the Decision No. 768/2008/EC aiming to set a common framework for a new Industrial Policy.
- **November December 2020**
Feedback on draft roadmap
- **December 2020**
The Commission defined a roadmap
- **December 2021 March 2022**
Public Consultation
- **11 November 2022**
Adoption of the Evaluation

TRADE



CBAM

Background

On 14th July 2021, the Commission proposed its proposal for the Fit for 55 Package aiming at achieving the EU objective of reducing by 55% EU carbon emissions compared to 1990 levels by 2030, and to become a climate-neutral continent by 2050. One of the key parts of this package was the Carbon Border Adjustment Mechanism proposal, designed to **prevent carbon leakage**. To promote decarbonization of the products under the scope, free emission allocations under the Emission Trading System (ETS) will gradually be phased out, whereas the CBAM will be imposed on imported products.

On 13th December 2022, the European Parliament and the Council reached a draft agreement on the final form CBAM. This draft will now need to be validated by the EU27 Ministers and by the European Parliament before being published in the Official Journal into the EU and become binding.

The key aspects of this agreement are the following:

- The **CBAM scope** will cover **iron, steel, cement, aluminium, fertilisers, and electricity**, as proposed by the Commission. CBAM scope is also extended to **hydrogen**, to **indirect emissions** submitted to certain conditions and to **some downstream products** such as screws and bolts and similar articles of iron or steel.
- **Transitional period of CBAM** will start in **October 2023**. Before the end of the transition period, end of 2025, the Commission shall **assess whether to extend the scope to other goods** at risk of carbon leakage, including **organic chemicals** and **polymers**, with the goal to **include all goods covered by the ETS by 2030**. They shall also assess the **methodology for indirect emissions** and the possibility to **include more downstream products**.
- The only way to be **exempted** from CBAM is to have **an explicit carbon price equivalent to the EU-ETS**. Japanese industries pay for carbon pricing in different ways such as petrol tax or energy efficiency tax which would be regarded as an implicit carbon pricing.

The GX league in Japan is working on setting up the voluntary ETS to seek either exemption or offsetting.

Simultaneously, G7 is working under the Climate Club to discuss the potential exemptions among like-minded partner countries.

JBCE's message

JBCE strongly advocates for the following points:

- Instead of carbon pricing, **GHG emission intensity of products should be counted** in the CBAM
- Ensuring the **same rules for calculating GHG emissions for imports and domestic products** and respecting the global rule-making process
- Compliance with **WTO rules**
- Additional **thorough assessment needed before deciding on the expansion of the scope** to other products

Out of the initial five sectors in the EC's proposal, steel/iron is the only that currently applies directly to JBCE members. Hence, the **biggest concern for the time being is the scope expansion proposed by the EP**, which will affect JBCE's members active in the chemicals and polymers' sectors.

JBCE closely monitors the developments in both **emission calculation methodologies** discussed at DG TAXUD level and the **carbon pricing offsetting**.

Timeline

Early 2023

The Parliament & the Council vote on CBAM draft agreement

February 2023 (TBC)

Publication the final agreement in Official Journal of EU

1 October 2023

Entry into force of period

End 2025

End of transitional period

Early 2026

The Commission to present revision of CBAM and consider further expansion of scope

2030

CBAM to cover all ETS Sectors

FORCED LABOUR PRODUCTS BAN

Background

On 14th September 2022, the Commission presented its proposal for a **Regulation on Forced Labour Products Ban (FLPB)**. This initiative aims to **ban imports of goods produced, extracted, or harvested with forced labour**, as well as **prohibit the marketing in the EU** of products manufactured in whole or in part by forced labour (**both EU-produced and imported products**). The proposed mechanism focuses on the implementation of a model based on regular investigations of all products on the European market. If the competent authorities find suspicions of links to forced labour, formal investigations will be launched to determine whether or not there are links to forced labour. In carrying out these investigations, the authorities will ask companies to submit all information on their supply chains and evidence of no links to forced labour within 15 days. In the absence of such evidence or if links to forced labour are found, companies will be penalised, and products will be withdrawn from the market. **EU customs authorities** will also be able to stop products made with forced labour at EU borders in case they identify links to forced labour.

The proposal covers all products without targeting specific companies or industries.

The proposal builds on internationally agreed definitions and standards and underlines the importance of close cooperation with global partners.

JBCE's message

In the context of this FLPB proposal, JBCE insists on the following elements:

1. High level of **legal certainty for companies** to be able to properly comply with the requirements and to **avoid unnecessary red tape** in daily business operations:
 - Additional definitions of terms
 - Issue timely guidelines for companies to properly address the issues
2. **Banning the products** manufactured with forced labour **does not itself solve the root-cause**
 - JBCE encourages the EU to engage in those markets to eliminate forced labour through dialogues between States.
 - Providing **capacity building** for both companies and competent authorities would be valuable.
3. Companies cannot be solely responsible for addressing the issue and the **involvement of governments** is essential:
 - There should be a **clear repartition of responsibilities** between the companies' role and the states' duty to protect human rights under UNGP.
 - **Additional guidelines** for state-sponsored forced labour and additional guidance in areas prevalent to conflict are needed.
4. The EU should **take into consideration the industry's efforts through its due diligence practices** before enforcing the regulation:
 - Respect of the companies' **risk-based approach** should be a key element.
5. The EU should **avoid the fragmentation in the enforcement** which will be carried out by each member states as well as other EU legislations, such as CSDDD.
6. **Proportionate requirements** for companies:
 - **Sufficient time** for companies to properly react to the request should be granted.
 - Recognition that, **in some case, companies have limited leverage** to end forced labour in supply chains on their own.
 - **Penalties needs to be reasonable and proportionate** to the size of the relevant business.

Timeline

- **September 2022**
The Commission presented its proposal for a Regulation on Forced Labour Products Ban (FLPB)
- **Early 2023**
Discussions within the Parliament and the Council on the Commission's proposal are set to start.

SUSTAINABILITY



CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

Background

The **European Commission** announced its intention to propose legislation on corporate sustainability in its **2021 work programme**. The proposal for a **Corporate Sustainability Due Diligence Directive** was **published in February 2022**, and it aims to foster sustainable and responsible corporate behaviour throughout global value chains. The new rules will apply to all **companies established** under the law of a **Member State** or **operating in the EU**, with more than 500 employees or 250 for the textiles, agriculture and minerals sectors, and a yearly turnover of more than EUR 150 million, or, respectively, 40 million. **Companies** will be **required to identify**, and, when necessary, **prevent, end or mitigate adverse impacts** of their activities **on human rights** (child labour and exploitation of workers), and **on the environment** (pollution and biodiversity loss). The controversial points of the directive are the following: lack of clarity of the requirements and international alignment (risk-based approach and scope of due diligence and liability).

JBCE's message

JBCE wants to highlight that the directive should not become an administrative “box-ticking” exercise. Therefore, JBCE suggests the following:

- Requirements need to be implementable** and should bring a **high level of legal certainty** for companies:
 - More clarity regarding key concepts and definition;
 - Ensuring the alignment with international standards such as UNGPs and OECD MNE Guidelines;
 - Avoiding legal fragmentation at Member State level.
- Legal certainty** must be **guaranteed by proportionality, clarity, and preciseness of civil liability provisions**:
 - Civil liability should be defined by the impacts made by companies (“cause and contribution” concept defined by the international standard) and not by the relationship in the value chain
 - Recognise that the relationship throughout the global supply chain is diverse and, in some cases, companies have limited leverage in their own value chain.
 - Risk-based approach needs to be introduced
- Ensure **meaningful due diligence processes**:
 - Sufficient preparation and time to be equipped and resourced to comply with the new requirements in a meaningful way
 - Climate change combating plan and the requirements related with corporate governance should be out of scope of the CSDDD as they are already regulated in other legislations
 - Provide guidelines for companies to implement the requirements.

Timeline

- **23 February 2022**
The Commission presented the proposal
- **September 2022**
The Parliament started discussions on the file
- **7 November 2022**
Rapporteur of the main committee (JURI) presented its draft report
- **1 December 2022**
The Council adopted a general approach
- **13 March 2023**
JURI adopts its report
- **May 2023 (TBC)**
The Parliament adopts its position
- **Q2/Q3 2023**
Start of the trilogues
- **Q4 2023**
Final agreement and adoption

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE & EUROPEAN SUSTAINABILITY REPORTING STANDARDS

Background

On 21st April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD), which amends the existing reporting requirements of the NFRD. The revision was motivated by a need to align non-financial reporting to other sustainability obligations (i.e. the EU Taxonomy), and to address the inadequacy of sustainability information available. The CSRD aims to **improve the flow of sustainability information in the corporate world**. It will make sustainability reporting by companies more consistent, so that financial firms, investors and the broader public can use comparable and reliable sustainability information. The Directive **extends the EU's sustainability reporting requirements** to all large companies, all listed companies as well as third country companies. The reporting standards will be developed as **delegated acts** under the CSRD. They will define **harmonised reporting requirements** in the EU to increase the comparability of sustainability information. The directive mandates **European Financial Reporting Advisory Group (EFRAG)**, technical advisory body, to provide to the Commission the first draft of the standards, based on technical advice from several European agencies.

JBCE's message

JBCE believes that **corporate sustainability reporting is a communication tool** of company's value creation process between the company and its stakeholders, as well as an **internal management tool** which enables companies to develop and evaluate their long-term business model and strategy. Therefore, JBCE states that the **sustainability reporting should never become a box-ticking exercise used by companies solely as a compliance tool**. As well, the sustainability reporting standards **must not impose excessive administrative burdens** on companies, as this would hamper the broader efforts in creating and realising the innovations essential for the achievement of the European Green Deal.

JBCE pushes for the development of sustainability reporting standards which take into account a reasonable balance between flexibility of companies to communicate their corporate values, and comparability of sustainability information as well as alignment with the internationally recognised standards and frameworks.

Timeline

- **April 2021**
The Commission published the proposal
- **24 February 2022**
The Council adopted its general approach
- **16 March 2022**
The Parliament adopted its position
- **21 June 2022**
The Council and the Parliament reached a provisional agreement in trilogues
- **10 November 2022**
The Parliament approved the trilogue agreement
- **15 November 2022**
EFRAG published the first set of draft European Sustainability Reporting Standards
- **28 November 2022**
The Council approved the trilogue agreement
- **16 December 2022**
CSRD was published in the Official Journal of the EU
- **30 June 2023**
The Commission to adopt a Delegated Act outlining the first set of European Sustainability Reporting Standards

EU TAXONOMY

Background

The **EU Taxonomy Regulation** was first **presented** as part of the **European Commission's 2018 Sustainable Finance Action Plan**. The Taxonomy provides a common language and a clear definition of what qualifies as a 'sustainable investment', and establishes the basis by setting out the overarching environmental objectives which an economic activity has to meet in order to qualify as sustainable. This could help the EU scale up its sustainable investment and implement the European Green Deal by **providing companies, investors and policymakers with appropriate definitions** of the environmentally sustainable economic activities. This could protect private investors from greenwashing, help companies become more climate-friendly, mitigate market fragmentation and help shift investments where they are most needed. The Taxonomy Regulation establishes the following **six environmental objectives**: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Under the Regulation, the Commission needs to create the actual list of environmentally sustainable activities by **defining technical screening criteria for each environmental objective**.

In 2022, the Commission published two delegated acts determining which activities should be considered as sustainable and contributing to the fight against climate change. In March 2022, the Commission adopted Complementary Climate Delegate Act (CDA) on nuclear & gas which sets criteria for the specific gas and nuclear activities to be in line with EU climate and environmental objectives. In 2023, a second Delegated Act on the remaining four environmental objectives is expected to be adopted by the Commission

JBCE's message

JBCE welcomes overall objectives of sustainable finance and the EU Taxonomy. Moreover, JBCE believes that an **open and international collaboration should be ensured** to facilitate a global uptake of the standards, and a common shift towards sustainable finance practices.

Sustainable finance should be mainstreamed internationally by developing a **global approach and aligning EU rules with international initiatives**. This will also facilitate the exchange of diverse best practices and guarantee that the classification does not undermine European competitiveness. In turn, this will create Taxonomy which is increasingly applicable across borders and throughout the value chain.

Timeline

12 July 2020

Entry into force of the Taxonomy Regulation

9 December 2021

Delegated Act on the Climate Change Adaptation and Mitigation objectives was published in the Official Journal of the EU

9 March 2022

The Commission adopted Complementary Climate Delegate Act (CDA) on nuclear & gas

15 July 2022

CDA was published in the Official Journal of the EU

2023/2024 (TBC)

Second Delegated Act on the remaining four environmental objectives to be adopted by the Commission ('Taxo4')

2024 (TBC)

The Commission to publish reports on Social Taxonomy and Taxonomy for transitional activities (i.e., 'brown taxonomy')

Highlights of the year



JBCE: widely recognized expertise regarding EU-Japan affairs

• CEATEC conference

On 17th October, JBCE together with DIGITALEUROPE and JEITA organized a conference at CEATEC which is Japan's largest IT and electronics exhibition and conference for both EU and Japanese stakeholders.

• EU-Japan Business Round Table

On 15th November, the 24th annual meeting of the EU-Japan Business Round Table was organised bringing together business leaders and representatives of the Authorities of the EU and Japan to discuss issues of common interest. During the annual meeting, JBCE played a vital role in advocating for the EU-Japan Digital Partnership.

Source: <https://www.eu-japan-brt.eu/annual-meeting-2022>



JBCE: opportunities for informal networking with key stakeholders in Brussels

• JBCE Summer Garden Party

On 7th June, JBCE held its annual Summer Garden Party and welcomed 150 stakeholders both from the public and private sectors. This was the first such gathering following the three years' pause due to COVID-19.

Source: JBCE Summer Garden Party



JBCE: a bridge between EU decision-makers and industry during the legislative process

• A knowledge sharing session on the European Health Data Space

On 8th June, JBCE's Digital Innovation Committee organised a knowledge sharing session on the European Health Data Space with Federico Milani (Deputy Head of Unit, Data Policy and Innovation, DG CONNECT). and consultants from NOVE.

Source: [KSS on European Health Data Space](#)

• Roundtable discussion on the Artificial Intelligence Act with MEP Dragoș Tudorache

On 22nd June, JBCE's Digital Innovation Committee held a round table discussion with MEP Dragoș Tudorache (Renew Europe, Romania) to discuss the Parliament Draft Report on the Artificial Intelligence Act.

Source: [Roundtable with MEP Tudorache](#)

• A discussion with the European Commission's representative on Carbon Capture, Utilization & Storage

On 22nd June, JBCE's Environment & Energy Committee organised a presentation on Carbon Capture, Utilization & Storage for its members from Mr. Krzysztof Bolesta (DG Energy, European Commission).

Source: [A discussion with DG Energy](#)

• A discussion with the European Commission's representative on the Digital Product Passport

On 22nd September, JBCE's Environment & Energy Committee welcomed Michele Galatora (DG GROW, European Commission) to present the concept of the Digital Product Passport (DPP) to the Committee.

Source: [A discussion with DG Grow](#)

**WE INVITE YOU ALL TO JOIN US IN 2023 TO BE A PART OF THESE IMPORTANT EVENTS.
WILL YOU JOIN US?**

INFORMATION FOR NEW MEMBERS

JBCE provides for Japanese companies based in EU, or providing a product or services to the EU, up-to-date information on the latest developments in European Policies. JBCE advocates for Japanese Business in the EU, connects Japanese companies operating in EU and provides a high-quality intelligence and monitoring services.

HOW TO JOIN?

1. Contact JBCE's Secretariat by using the inquiry form available under "Contact" on our webpage. Once we receive a request, we will send you by email the relevant documents required for registration.
2. Fill out the registration documents and have it signed by a company representative.
3. Once JBCE's Board of Directors approves your application, you will be formally notified. You can then participate in events / committee meetings organised by JBCE and receive relevant information and reports.

EU Transparency Register number: 68368571120-55



CONTACT DETAILS

Rue de la Loi 82
1040 Brussels, Belgium
info@jbce.org
T. +32 2 286 53 30