

Dr Ursula von der Leyen
President,
European Commission
1049 Brussels

By e-mail

Brussels, 4 April 2022

Impact of Ukraine crisis on retail and wholesale – and consumers

Dear President von der Leyen,

We share the shock and indignation of everyone in the EU at the Russian invasion of Ukraine; businesses in our sector are working hard to provide support to the citizens of Ukraine and refugees arriving in the EU.

We wanted to highlight our sector's most serious concerns at the impact of the Russian invasion on our sector, the wider economy post-Covid 19 and the 450 million Europeans our sector serves every day. Retailers and wholesalers provide an essential service to consumers and many other ecosystems. It can offer a strong basis for recovery of the wider economy (representing one in four companies in Europe), as the largest European private-sector employer (26 million people), its contribution to local communities, to food safety and security, cybersecurity etc. Just as the sector was seeing the end of disruption, and for some, major losses which risk their future viability after Covid, the rise in energy prices and inflation in key commodities create a new set of challenges.

We were pleased to see the ambitious set of actions endorsed by the European Council last week to tackle the energy crisis and ask you as President of the European Commission to help ensure that our companies are eligible for immediate access to financial support mechanisms to compensate for the higher costs incurred and that a regulatory framework and necessary support measures are put in place to address short term and longer-term needs in our sector's transformation:

1. Curbing energy costs and inflation as a matter of urgency

Retailers and wholesalers are significant users of energy in heating, refrigeration and logistics, all of which run 24 hours a day, 7 days a week. As an ecosystem providing an essential service to consumers and business customers, retailers and wholesalers are unable to stop or slow down their operations as a mitigation measure. We therefore ask:

- the Commission and member states to allow the sector to benefit under the temporary state aid framework from support to mitigate the serious impact of higher energy costs, and access to any other fiscal measures that can help alleviate the impact of the energy crisis;
- member states to take measures to help preserve consumers' purchasing power, especially the most vulnerable ones, in the face of major inflationary pressures by e.g., allowing reduced VAT, and reducing other levies on energy and daily essentials, and VAT and duties on fuel. This should be accompanied by allowing retailers and wholesalers to continue negotiating on behalf of consumers and mitigate the impact of higher inflation through a strong competition framework;
- the Commission, in line with the European Council conclusions, to ensure the proper functioning of the single market and address as a matter of urgency any measure adopted by member states to prevent or restrict the cross-border sale and purchase of products.

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2. Reducing regulatory costs and providing for flexibility and adaptability

As companies struggle with higher costs and supply chain disruption, we ask, as was provided for during the Covid period, for some degree of flexibility and adaptability to enable the sector to continue to serve its customers, but also for a harder look at the cost of regulation across the board at EU and national level:

- apply better regulation principles rigorously and use impact assessments to address the real cost of regulation, and address concerns expressed during consultation on compliance costs. This should also influence in present circumstances the timing of new obligations so that businesses can focus on addressing the challenges the crisis presents;
- regulatory flexibility, e.g., by supporting temporary relaxation of enforcement of labelling regulations where supply shortages require short-term product substitution or where they need to be sourced elsewhere;
- support diversification of sourcing, (including where necessary temporary relaxation of quotas on certain imports) to ensure consumers' access to a full assortment of products.

3. Supporting investment in the transformation of the sector and the energy transition

The EU Commission has identified retail and wholesale as an essential ecosystem for the recovery. To meet the digital, sustainability and skills transformation challenge and increasingly global competition, our ecosystem needs to double its investment and needs a regulatory framework which allows for its transformation, in particular:

- support to private and public investment in the digital (automation, omnichannel, AI, etc.), sustainability (circular economy, decarbonization, logistics, etc.) and skills transformation of the sector;
- ensuring that future legislation creates the fewest administrative burdens, compliance costs and is practicable when applied to real market conditions; the proper functioning of the single market, whose 30 years we are celebrating next year, is a core priority;
- support investment to reduce energy consumption (e.g., renovation of buildings), transition to alternative energy and more sustainable fuels and diversifying its sources of energy supply. We ask the Commission to consider with member states how to realign some of the NGEU resources earmarked for sustainability to this effect.

We thank you for your consideration and support to the 5 million companies operating in our sector and who are dedicated to serve their customers every day, and whose ability to contain the level of its costs has a direct effect on their customers' welfare.

Yours sincerely,



Juan Manuel Morales
President



Christel Delberghe
Director General

cc.

Executive Vice-President Frans Timmermans
Executive Vice-President Margrethe Vestager
Commissioner Thierry Breton
Commissioner Kadri Simson