

Implementation of the European Green Deal: How to make it workable for SMEs

Key messages

The implementation of the European Green Deal must empower SMEs to meet climate and environmental goals without compromising their prosperity.

Smart simplification must include applying a robust SME Test, accelerating digitalisation, and offering clear and accessible guidance for SMEs.

Stress testing the entire stock of EU legislation must lead to fewer reporting obligations and promoting incentives rather than bans and burdens.

It is essential to guarantee the effective participation of SME organisations in all relevant Implementation Dialogues and European Commission Expert Groups.

Background

The European Green Deal has set the bar high for climate, energy and environmental ambitions. Yet, the initial promise for it to be a sustainable growth strategy has somehow been lost on the way. For several years now, SMEs have voiced concerns about the impact of increased regulatory pressure and administrative overload. Therefore, SMEUnited welcomes the emphasis that the new European Commission is showing on addressing the most pressing needs of SMEs. Now, these promises have to be translated into tangible actions to ensure SMEs' resilience and prosperity.

The Clean Industrial Deal must take urgent and decisive measures to make the Green Deal a business case for SMEs. We therefore support any institutional effort for an effective, simple implementation and the reduction of administrative burden, as outlined in the recent European Commission communication on simplification. However, this must be more than a tick-the-box exercise and result in real relief for entrepreneurs and a more SME-friendly environment as soon as possible. A truly just transition must think small first, ensuring that efforts to empower the 25.8 million SMEs are front and centre in the new mandate.

This paper outlines general considerations on smart simplification, reducing reporting obligations, supporting tools, and inclusive consultation efforts. Additionally, we outline proposals for improving specific legislation in an annex to the paper.

Smart Simplification

Smart implementation could ensure that Europe meets its sustainability goals efficiently and bolster SMEs' competitiveness. The Clean Industrial Deal has to put economic and social effects on a level playing field with environmental considerations to make the green transition a business case. Therefore, we need a smart simplification action plan that accelerates digitalisation, offers clear and accessible guidance for SMEs in several EU languages, boosts active stakeholder engagement, and promotes incentives and investment support rather than bans and burdens. Smart simplification is a means of making sustainability legislation more accessible. However, simplification must not become a pretext for deregulation, as it could weaken Europe's ability to meet its sustainability objectives and create uncertainty for SMEs.

To help stakeholders navigate the implementation jungle, the European Commission in collaboration with the co-legislators should provide an **overview over the implementation status** of each adopted legislation. The disproportionate rise in secondary legislation — with twice as many delegated acts and 18 times as many implementing acts compared to primary legislation — requires urgent simplification to prevent SMEs from becoming overwhelmed. Transparency and accountability towards stakeholders and citizens must become an integral part of EU policy's implementation and review processes.

An **evidence-based approach** to monitoring the Green Deal's implementation must include a comprehensive set of environmental, economic and social indicators. Those indicators should be developed by the European Commission in close and inclusive collaboration with stakeholders, in particular European social partners. This could be done through dedicated platforms (such as the European Fair Transition Observatory) or through Union-funded projects with a focus on clean and circular business models. Such efforts must include practical knowledge of which factors influence whether legislation is easier to implement or creates disproportionate challenges for SMEs to comply.

Smart simplification should have the results of a robust **SME Test** at its heart. By better assessing indirect and cumulative impact, the SME Test can be an effective tool for delivering primary and secondary legislation. According to the [SME Test Benchmark 2024](#), direct and indirect impacts on SMEs must be more systematically and clearly presented in impact assessments.

More Tools, Less Reporting

The design of secondary legislation must fulfil the same quality better law-making criteria as primary legislation. Applying the **“Think-Small-First” principle** ensures that even micro-

enterprises can comply without undue burden. When this is not feasible, SMEs must receive tailored tools, effective support, and benefit from simplified processes — exemptions should only be a last resort. This approach will ensure the regulatory framework is flexible and adapted to the size and capacity of the enterprises, without undermining the overarching goals of the legislation.

In addition, the strict application of the **“Once-Only” principle** must be ensured to avoid unnecessary reporting obligations. Since SMEs are interested in long-term business development and are deeply rooted in local and regional economic landscapes, they have an intrinsic interest in integrating sustainability into their business operations. However, they should not waste time repeatedly submitting the same information in different structures and websites. A [European Commission study](#) shows that “Once-Only” instruments can cut monetary and time costs for SMEs by half. What is more, digitalisation and interoperability of public platforms can contribute to increasing the efficiency of necessary reporting.

We support the European Commission’s idea to systematically **stress test the entire stock of EU legislation**, including recently adopted legislation. This scrutiny must considerably reduce the administrative burden on SMEs to reach the self-set target of 35 % burden reduction. This means that reporting, verification and documentation obligations must also be reduced retroactively. Conflicting objectives must be identified and resolved to ensure consistency and coherence across legislation.

Inclusive Consultation

It is essential to guarantee the effective participation of SME organisations in all relevant **Implementation Dialogues** and **European Commission Expert Groups** related to the Green Deal. SME organisations and social partners at all levels are best placed to advise decision-makers on how to make sure that the implementation of Green Deal legislation works for micro, small and medium enterprises. To this end, these expert groups and platforms should be re-opened for new members, at least through granting an observer status.

The **feedback period for draft acts** must be extended. While limiting stakeholders' feedback to 4 weeks might fit the EU Commission's internal timetable, it does not allow for quality results, including feedback from small businesses, that impactful legislation deserves. Since SME organisations usually have limited resources, the feedback time should be extended to 6 to 12 weeks, depending on the estimated impact of a delegated act on SMEs.

SMEUnited and its members welcome the European Commission’s intention to carry out **reality checks** with entrepreneurs, either through on-the-ground visits or dedicated SME Dialogues. SMEUnited’s expertise in making the European Green Deal workable for SMEs is based on the hands-on experience of our national and sectoral members, whose entrepreneurs deal with the implementation of European legislation in their day-to-day business. Yet, their experience on

the ground is not sufficiently taken into account. Eventually, well-intended proposals, such as SME support measures are only effective if they work in practice.

SMEUnited and its members stand ready to support initiatives that render the European Green Deal more workable for SMEs and contribute to making it a business case for our entrepreneurs while keeping up its ambitions.

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[SMEUnited](#) is the association of crafts and SMEs in Europe with around 65 [member organisations](#) from over 30 European countries. SMEUnited is a recognised cross-sectoral European Social Partner. We speak on behalf of the 25.8 million SMEs in Europe which employ more than 87 million people.

Annex: Specific legislation to be addressed

The following list is based on the priorities set by SMEUnited members. The list is not by any means exhaustive.

Climate and Energy

Climate Law

The European Commission should propose a net emission climate target for 2040 that is both robust and feasible for SMEs. The 2040 targets should be set as soon as possible to ensure planning stability and investment certainty. It must take into account the social, economic and environmental impacts, in particular on the competitiveness of European SMEs. Concrete tools and incentives — developed jointly with SME organizations — should mobilize investments for a fair transition, aligning with strategic autonomy by reducing energy dependence and strengthening local economies.

ETS2

Extending ETS2 to sectors beyond road transport and buildings risks overburdening SMEs. SMEs in the transport sector have expressed concerns about the volatility of ETS2 prices and highlighted the need for predictable frameworks to support clean technology investments. Instead of incentivising investments in clean technology, companies might hesitate to invest. Any extension must follow a comprehensive impact assessment with SME input, ensuring simplified compliance tools and a level playing field across Member States. Currently, different scopes in member states could contribute to an uneven playing field.

Carbon Border Adjustment Mechanism (CBAM)

The announced review of the CBAM must provide clear guidance, and address carbon leakage without adding complexity. In particular, the following measures must be included in a wider review:

- companies should be provided with an easily understandable and accessible CBAM self-assessment tool starting from the transition period;
- consider introducing a phased and impact-assessed extension of CBAM to selected finished and semi-finished products related to raw materials already recognised in Annex 1, ensuring that any expansion is accompanied by simplified compliance procedures and support measures tailored to SMEs;
- direct the proceeds from the application of the CBAM towards the green conversion of SMEs - in the most emission-intensive production sectors - to reduce their carbon footprint;
- strengthen incentives for investment in low-emission renewable energy to support the decarbonization of industrial ecosystems;

- simplifying the information-gathering process required by the Regulation.

Energy Efficiency Directive (EED)

As for the European Energy Efficiency Fund, lower thresholds must be better defined, and simplified access procedures based on templates and standardized procedures must be put in place to reduce administrative burden.

Specific measures that safeguard the qualifications and professional paths already acquired must be provided.

The implementation of the obligation for Member States to ensure local heating and cooling plans in municipalities with over 45.000 inhabitants must be closely monitored to reduce energy costs and dependence while respecting the open technology principle.

Energy Performance of Buildings Directive (EPBD)

We must ensure a clear and implementable quality transposition of the EPBD that offers a boost and regulatory certainty to SMEs. SMEs and crafts of the construction sector lie at the centre of the renovation ambition inscribed in the recast EPBD, being the ones that deliver renovation solutions on the ground, tailored to the needs of each building. We underline the importance of setting up technical assistance structures, such as inclusive one-stop shops, aimed at providing independent and simplified information towards accompanying building owners throughout the renovation process, advising on the possibilities and the technical and financial solutions to SMEs, micro-enterprises and public bodies involved in building renovations.

While the EPBD sets ambitious targets to reach a climate-neutral building stock by 2050, the funds to reach those targets are currently not secured. Policymakers at the EU and national level need to further define the funding and financing pathways that will support the EPBD's renovation targets, especially when it comes to worst-performing buildings. These financing and funding tools need to be reliable and stable in the long haul, so as to avoid dissuading building owners from undertaking energy-efficient renovation due to uncertainty and complexity of rules.

Furthermore, we must implement measures to ensure a sufficient workforce with a level of skills appropriate to the needs of the construction sector, targeting SMEs and micro-enterprises particularly.

Lastly, the transposition of improved rules on energy performance certificates should follow a common EU list of mandatory and optional requirements provided for in the recast EPBD, so that EPCs are more streamlined and lead to more comparable landscape criteria being harmonised at the EU level.

Renewable Energy Directive (RED)

The needed certification along the whole value chain to prove that used (forest) biomass meets the sustainability criteria is too complex and burdensome.

As for the requirements for renewable electricity used to produce renewable fuels of non-biological origin (RFNBOs), proofs via a Power Purchase Agreement (PPA) should be sufficient.

Permitting procedures must be reorganised and simplified.

A single procedure for connecting the systems must be in place, with strict and binding concession times.

Environment

Ecodesign for Sustainable Products (ESPR)

The implementation of Ecodesign requirements will require great effort in terms of technical skills and financial resources. SMEs must be supported in these transition efforts through adequate support tools and incentives. Therefore, it will be necessary to activate the support measures for SMEs in an appropriate timeframe.

Members States and the European Commission should, in their respective areas of responsibility, provide adequate information including guidance, ensure targeted and specialised training, and provide specific assistance and support, including financial, to SMEs active in the manufacturing of products for which Ecodesign requirements are set. Those actions are particularly important for product groups where the presence of SMEs is relevant and should, for example, cover the calculation of the product's environmental footprint and the technical implementation of the Digital Product Passport (DPP).

A joint Ecodesign and Energy Labelling working plan with a duration of 5 years appropriately ensures predictability for SMEs. A step-by-step approach in terms of product priorities must take into account the limited resources both of the European Commission (to do in-depth studies and impact assessments) and of stakeholders (to provide meaningful impact and prepare their members for upcoming measures in parallel).

Repairability should be at the heart of Ecodesign requirements. Regarding the horizontal requirements, we advocate for applying the rules on spare part pricing consistently across all products subject to Ecodesign regulations. Consumers and independent repairers should have access to clear information about spare part prices. Measures to mitigate price volatility must be put in place, such as a requirement to disclose prices and adherence to stated commitments in cases of abuse.

The Digital Product Passport (DPP) enhances product sustainability by providing information across the value chain. It improves traceability, helps consumers make informed choices,

supports economic operators like repairers and recyclers, and aids national authorities. However, its implementation faces challenges such as regulatory overlaps, costs, infrastructure deficiencies, and data gaps. Implementation has to ensure that SMEs can reap the benefit of the tools. In that respect, a particular focus needs to be given to unique and small-scale production with a view to preventing structural disadvantages of typical ways of sustainable production of SMEs.

All documents and tools produced within the framework of the Ecodesign Forum, such as guidance, digital support, and standards, must be available with sufficient feedback period.

Deforestation (EUDR)

Due diligence obligations must be simplified for SMEs. We see merits in a certain level of traceability requirements. Yet, it is questionable whether the complete documentation and transfer of due diligence obligations and liability risks along the value chain will promote biodiversity and climate protection. At the very least, the only point of reference for due diligence and liability should be the placing on the market, so that downstream market participants can rely on the information collected and checks carried out for the first time.

The feasibility of due diligence requirements in low-risk countries must be critically re-examined to reconcile SMEs' economic activities with sustainable forest exploitation. According to the risk-based approach of the EUDR, products from low-risk countries are subject to less stringent due diligence requirements. Nevertheless, the requirement to geolocate all land on which the relevant raw materials that the product contains remains in place. This requirement alone is likely to pose considerable challenges for sawmills, for example, as it requires the separation of batches of products from different timber producers. As far as third countries are concerned, it is questionable whether this data can be collected at all.

It is hardly possible nor affordable for SMEs to check legally compliant production in the country of origin in the case of imports from third countries. The obligation to take back products that have already been incorporated or mixed is disproportionate.

Moreover, SMEs must be provided with a practicable EU information system with functioning electronic interfaces and targeted FAQs and guidelines to assist with proper implementation. Considering the multi-sectoral impact of the measure, we recommend also that thematic working groups should be set up at EU level among the various sectors (cattle, cocoa, coffee, oil palm, rubber, soya, wood).

If necessary, EUDR should be included in one of the Omnibus packages to come.

Nature Restoration (NRL)

SMEUnited supports the overall objectives of the NRL. However, its implementation must respect the principle of subsidiarity and avoid creating additional burdens for SMEs, especially

in terms of permit-granting procedures. The legislation should enable the design and execution of restoration plans at the appropriate national, regional, or local level, where specific circumstances, needs, and opportunities can best be considered. To ensure effective and balanced implementation, the legislation should promote stakeholder-driven local planning processes that involve SME organisations from the outset. These processes must provide clear guidance, accessible funding mechanisms, and opportunities for SMEs to contribute to restoration goals in ways that align with their business models. Restoration efforts should not impose blanket restrictions but instead encourage context-sensitive approaches that allow for nature-inclusive and nature-positive economic activities. Such implementation can foster solutions that enhance climate resilience, water management, and biodiversity — while also enabling SMEs to innovate and identify opportunities within restoration frameworks.

Packaging and Packaging Waste Regulation (PPWR)

Many elements of the PPWR still need to be specified through secondary legislation, such as the methodology for the calculation and verification of the percentage of recycled content, harmonised labels and specifications for the labelling requirements and formats, or reporting through technical documentation. Technical documentation of legal compliance (to be held ready for a possible authority inspection) of many provisions of the regulation, e.g. concerning the rules for reusable transport packaging, is too burdensome for many participants. Those critical elements have to be designed in an SME-fit way, including consulting SME organisations in the newly created European Commission Expert Group on Waste.

Waste Framework Directive (WFD)

The simplified procedure for participation of SMEs in Extended Producer Responsibility Schemes for textile SMEs and the fee modulation must be specified in the newly created European Commission Expert Group on Waste. EPR schemes must be designed in a proportionate way and the fee must be modulated considering the real composition of the textile sector, primarily made up of SMEs.

To reduce food waste, the definition of "bio-waste" needs to be clarified so that the measurement of food waste does not include non-edible components that are unavoidable.

Further initiatives by the Commission are needed to clarify and harmonise the relevant legislation that prevents the redistribution of safe and wholesome food in the EU. The associated administrative procedures should be digitalised and streamlined at the national level.

Sustainability Reporting (CSRD)

The CSRD has created a complex legal environment with heavy indirect impacts on SMEs, even though they are formally out of scope. Because SMEs are deeply embedded in European supply chains, they inevitably face demands stemming from obligations placed on larger companies.

Simply exempting SMEs does not shield them from these pressures and instead excludes them from necessary mitigating measures and support.

The Voluntary Standard for SMEs (VSME) is a partial response to this challenge, but it must be fully embedded in the CSRD through the Omnibus legislation. Market actors should be incentivised to use only the VSME when requesting data from SMEs, and SMEs must be protected from sanctions when using it. The current reality — where SMEs receive multiple, inconsistent data requests — is costly and unsustainable, often involving significant time and resources from business owners themselves.

To further ease this burden, no assurance should be required for VSME-reported data, and a single digital tool should be developed to implement the 'once-only' principle. Training and support, including user-friendly materials in plain language, are crucial to helping SMEs navigate the VSME without relying on costly external consultants.

We encourage the European Commission to continue and intensify its efforts in mapping different legal reporting requirements and designing suitable tools for the implementation of standards. Improving existing tools such as the Eco-Management and Audit Scheme (EMAS) to make them fit for purpose is one possible pathway. However, EMAS in its current form is too costly and bureaucratic to install and manage. It is not adapted to SMEs' needs and capacities, yet.

Access to Finance

Sustainable Finance

The Omnibus legislation should make simplification a reality to support SMEs in navigating sustainability requirements. In particular, the green asset ratio under the Taxonomy framework must fully exclude SMEs to avoid adverse impacts stemming from the challenges of verifying their sustainability.

Instead, the [streamlined approach](#) must be regarded as sufficient for SMEs, especially considering how complicated and burdensome the implementation of the Taxonomy is for SMEs. The streamlined approach means that SMEs will be able to fulfil simpler criteria than those from the Taxonomy. If they do, banks would be enabled to grant them green loans based on these criteria. This would diversify SMEs' access to finance without diminishing banks' sustainability goals.

Innovation Fund (IF)

SMEUnited welcomes the European Commission's idea to simplify the application process for the IF. In particular, streamlining and reducing duplication of information provided in application forms and improving guidance can be effective ways of making life simpler for SMEs. SME-specific helpdesks that offer competent and sector-specific personal guidance (at best in the

entrepreneur's own language) are a preferred option for SMEs. At least, guidance documents should be available in all EU languages and video recordings sub-titled. What is more, dedicated information sessions for SMEs are an appropriate way of communicating calls as widely as possible among European SMEs.

Just Transition Fund (JTF)

The European Commission and the co-legislators must ensure that the JTF has the means to provide effective and targeted support to SMEs. The JTF must be readjusted in terms of funding and scope, with a special focus on empowering SMEs facing serious socioeconomic transition challenges. The effectiveness of the JTF to include those businesses must be critically evaluated in dialogue with SME organisations on all relevant levels.

LIFE Programme

Each LIFE Program sub-call for Standard Action Projects must include a business-focused call. The application procedure must be streamlined and hence made more accessible for SME organisations who usually do not have the resources to employ dedicated experts in grant writing. What is more, the European Commission should consider opening eligibility criteria for operating grants to SME organisations. A good blueprint for the effective inclusion of non-profit European associations (consumer, environmental, workers and SMEs) can be found in the field of European Standardisation.

Social Climate Fund (SCF)

The European Commission and the co-legislators must ensure that the SCF has the means to provide effective and targeted support to vulnerable micro-enterprises. A definition, along with clear and transparent criteria, of what constitutes vulnerability of micro-enterprises is an essential exercise in that respect. The effectiveness of the SCF to include those businesses must be critically evaluated in dialogue with SME organisations on all relevant levels. The support to micro-enterprises becomes particularly relevant in light of the inclusion of other sectors than buildings and road transport in the ETS2. The European Commission should consider adjusting the terms of funding and scope (to additionally include at least small enterprises).

Revenues from ETS2 and through the SCF should be allocated to accelerating the energy transition in the transport sector, for example, to invest in alternative fuel distribution infrastructure, to support the acquisition of low-emission equipment for heavy traffic, and to bolster public transport infrastructure.