



The European Innovation Stress Test

Insights Note 46

In January 2024, in response to an initiative by the forthcoming Belgian Presidency, the European Economic and Social Committee (EESC) adopted, virtually unanimously, an [Opinion](#) that recommends that the European Commission introduce an Innovation Stress Test. For the steps on how to 'operationalize' the Innovation Stress Test, see the Appendix below.

1. The current and next European Commission should, the EESC recommends, introduce the test for the evaluation of each new legislative and policy initiative. Ten key requirements are set out within the test, against which future initiatives should be assessed.
2. The specific requirements included within the test recognise the need for innovation, private sector investment and investor confidence, if the EU is to achieve its ambitious socio-economic goals. They encourage greater consultation with and involvement of investors and innovators in framing interventions, highlighting the need to ensure coherence and to avoid unintended consequences. The tests also encourage full use of the Better Regulation toolkit and require interventions to take account of the best available and most up-to-date weight of scientific evidence. Used well, the test can help policy-makers, law makers and regulators make more informed choices. It has been included within the [Antwerp Declaration](#) and it has been positively appraised by the Belgian Presidency of the EU. The Council is considering issuing own Conclusions on the introduction of the tool.
3. The Opinion and supporting introductory documents are to be welcomed. They are further evidence of the growing political recognition of the importance of investment by the private sector for delivering socio-economic goals and the role that framework conditions, including regulation, play in shaping incentives to allocate capital and to innovate. The supporting documents recognise the extensive actions taken by the EU to promote investment in innovation, yet also highlight the erosion of relative innovation performance, compared to the US and China, and the growing flow of capital away from the EU. To illuminate some of the causes of these failings, the introductory documents provide a measured assessment of the strengths and weaknesses of the EU's framework conditions. Regulatory weaknesses include the progressive implementation of novel approaches to the regulation of technologies that create systematic uncertainty, undermine the availability of upstream technologies and undermine investor confidence.
4. ERIF's research, undertaken over more than two decades, supports these proposals and analyses. Of particular importance is the greater recognition of framework conditions in shaping incentives, of the need to understand private sector allocation of capital and of the risks to prosperity, transition and resilience posed by the adoption of untested and controversial Novel Regulatory Philosophies for the management of risk, and the development of technologies (see [ERIF Monograph 'Novel Regulatory Philosophies in the European Union: Directions, Implications and the Role of Better Regulation' 2023](#)). The clear articulation of principles for the use of scientific evidence is a further contribution to the EU's decision-making process.

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APPENDIX

The EESC proposes **that the Innovation Stress Test should include the following ten key requirements, against which each new legislation and policy initiative should be evaluated.**

Does it:

1. protect consumers and the environment, as well as recognise the need for innovation to enable the EU's green and digital transitions towards sustainability, help to create more and better jobs for the benefit of society and stimulate the economy? (Yes)
2. ensure joined-up policymaking so that existing and future policies are employed in ways which create investor confidence and stimulate innovation, but do not create barriers for continued and new innovation investment in the EU? (Yes)
3. ensure clear understanding by innovators and investors? (Yes)
4. comply with use of the European Commission's Better Regulation toolbox? (Yes)
5. actively include consultation and involvement of innovators and investors across the full spectrum, from start-ups to international organisations, to ensure policies do not or will not unintentionally undermine investor confidence to invest or keep investing in EU innovation? (Yes)
6. recognise legitimate concerns regarding potential conflicts of interest and provide transparency on these issues for all involved in the process, including policymakers, public and private sectors and civil society? (Yes)
7. take account of the best available and most up-to-date weight of scientific evidence? (Yes)
8. negatively impact availability of skills, human capital and education needed for innovation, research and development? (No)
9. result in actions which could generate a gender imbalance? (No)
10. conflict with existing or future tax incentives for innovation or research and development in Europe? (No)

If answers to these questions are not fully consistent with those given above, explanation or mitigation should be required.