

Newsletter



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Europe is Discovering that Regulation has a Cost

Why simplification is becoming part of the EU's competitiveness strategy

For much of the past decade, the central question was how regulation could make Europe safer, greener, more transparent and more resilient. Those objectives have not disappeared. But another question has moved closer to the centre of EU economic policy: ***what happens when the cumulative complexity of regulation itself begins to constrain investment, innovation and growth?*** The European Commission is increasingly treating regulatory and administrative burden not simply as a compliance issue, but as a competitiveness issue. Its simplification agenda targets a reduction in administrative burdens of at least 25% for businesses and 35% for SMEs, with expected administrative savings of €37.5 billion by 2029.



From More Regulation to Better Regulation: This does not mean that Europe is entering an era of deregulation. The more significant development is subtler: the EU is increasingly asking whether its policy objectives can be achieved with simpler, clearer and more proportionate rules. In April 2026, the Commission presented its vision for a “Simpler, Clearer and Better Enforced EU Rulebook”, introducing the principle of “simplicity by design” and a regulatory “deep cleaning” exercise targeting inconsistent, outdated, overlapping or unnecessarily complex provisions. This direction is already visible across several areas. The Commission has advanced omnibus simplification initiatives, proposed a major tax simplification package and adjusted elements of the AI regulatory framework. In financial services, it is also examining how the EU banking framework can be simplified while preserving financial stability and resilience. The common thread is important: simplification is increasingly being treated as economic policy.



Complexity Has Become an Economic Variable: The cost of complexity goes beyond producing reports or completing regulatory filings. Complex rules consume management attention, require specialised resources and can increase the cost of operating across multiple jurisdictions. For smaller businesses in particular, fixed compliance costs can also become a barrier to scaling. This connects regulatory simplification directly with the EU's broader competitiveness agenda. If European businesses are expected to invest, innovate and grow across the Single Market, the regulatory architecture within which they operate must enable those objectives rather than unnecessarily complicate them.

Simplification Does Not Mean Less Compliance: For businesses, however, there is an important distinction. The emerging European agenda should not be interpreted simply as less regulation. The Commission continues to combine simplification with implementation and enforcement, while maintaining the underlying objectives of European regulation. The strategic challenge may therefore change rather than disappear. Companies have spent years building teams, systems and processes around an increasingly complex regulatory environment. As rules are consolidated, simplified or made more proportionate, businesses will need to determine which controls remain necessary, which processes can be redesigned and where regulatory change creates opportunities to operate more efficiently.

The Next Competitive Advantage May Be Regulatory Agility: Europe's competitiveness debate has traditionally focused on productivity, investment, energy, financing and innovation. Regulatory complexity is increasingly joining that list. If navigated correctly, simplification could allow businesses to redirect resources from unnecessary administrative complexity towards investment and growth. But waiting simply for “less regulation” risks missing the point. The competitive advantage may increasingly belong to organisations capable not only of complying with regulation, but of adapting quickly when the regulatory architecture itself changes.



Miltos Apostolidis
Head of Business Efficiency
mapostolidis@saranti-partners.com
T: +302120216569

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