

Non-negotiable priorities for the future of businesses and sustainable transitions

Strategic Report 2026



The strategic rationale behind the Study and its logical structure

Since the beginning of 2025, the debate on sustainable transitions has increasingly focused on costs, complexity and compliance burdens. This has led to significant regulatory simplification at both the European and national levels.

However, the facts call for a more nuanced understanding.

In this new era, the assertiveness of global geopolitical superpowers and major tech companies is, in fact, reducing the effectiveness of existing institutions and regulatory frameworks. As highlighted in the Draghi Report, this landscape requires us to rethink the transition itself from a pragmatic perspective, focusing on the competitiveness of economic systems.

This Study explores the idea that a competitive approach to sustainable transition should focus not only on what can be cut, but also on what cannot be sacrificed in order to remain competitive. In simple terms, before pruning a tree, we must ask ourselves which branch we are sitting on to avoid cutting it and actually help to strengthen it.

The Study's objective is therefore to help identify priority areas in which businesses and decision-makers can collaborate. This ambition is grounded in a Report consolidating authoritative data and unpublished proprietary analyses, as well as an initial proposal for tools to support businesses and institutions' strategic decisions. These premises inform the Study's logical framework, which is divided into three sections.

The logical structure of the Study and its novel elements

I. The EU's sustainable transition in an age of predators

The pressures, challenges and opportunities shaping the global landscape

A comparative analysis of industrial policy drivers and public concerns in the EU, the US and China

II. Non-negotiable priorities

A comparison of business priorities and EU industrial policy trajectories

STAGE Index: a new tool for measuring the alignment between businesses and policy

III. Proposals for Competitive Transition

Tools and recommendations to help speed up the transition process

6 recommendations to guide decision-makers and businesses towards a new approach to sustainable transition

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In this Study, this symbol indicates the original content developed based on the analyses and sources presented herein.

Working group and acknowledgements

This Study was developed by TEHA Group and Erion. The working group was led by **Carlo Cici (TEHA Partner and Head of Sustainability Practice)** and consisted of:

- **Carlo Carincola**
(Erion, Environmental Project Manager)
- **Elena Castellini**
(Erion, Communications & Event Manager)
- **Fabrizia Gasperini**
(Erion, Key Account Strategic Manager)
- **Enrico Lobietti**
(TEHA Group, Analyst)
- **Irene Pellucchi**
(Erion, Strategic Development and Innovation Expert)
- **Matteo Rimini**
(TEHA Group, Sustainability Consultant)
- **Anna Tagliatela**
(TEHA Group, Senior Consultant)

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- **Catia Bastioli** (Novamont CEO)
- **Marco Imparato** (Managing Director APPLiA Italia)
- **Vittorio Emanuele Parsi** (Full Professor of International Relations at Sacro Cuore Catholic University of Milan)
- **Mariangela Pira** (SkyTg24, Head of Service)

I. The EU's sustainable transition in an age of predators

Overview of the section's key messages

1.1. In the age of predators, a sustainable transition can no longer rely on global multilateralism

1.2. Growing resentment and social polarization are fuelling a new crisis of consensus, which is also affecting the ability to develop effective solutions and successfully complete the transition

1.3. When the costs of inaction far exceed those of action, a sustainable transition stops being a choice and becomes a necessity

1.4. Simply knowing what needs to be done is not enough to bring about change. Collaboration and dialogue are key to transforming 'walls' into networks

We discussed this with Vittorio Emanuele Parsi (Milan, Catholic University)

Security, geopolitics and access to strategic resources are redefining the rules of competition today. The model based on free trade and progressive international integration is being replaced by a context in which major powers are increasingly using economic and industrial tools to achieve strategic goals. Tariffs, control of supply chains and access to critical raw materials are now key factors in international competition.

In this scenario, the United States, China and Europe are each pursuing a different path. While the United States is strengthening its industrial policy and control over strategic assets, China continues to adopt a strongly mercantilist approach.

Nevertheless, Europe has the opportunity to bolster its strategic autonomy, industrial resilience and economic security while remaining open to the rest of the world.

A sustainable transition is essential for achieving this new global balance. Rather than being separate issues, energy, industrial security, competitiveness and sustainability are increasingly interconnected dimensions. The main risk of being sceptical about sustainability is that it slows down the transformation process, resulting in delayed decisions that require time, investment and foresight.

The role of politics is central: it defines strategic priorities, supports citizens and businesses through processes of change and builds consensus around transformations that require investment in the present to generate benefits in the future.

In an increasingly unstable context, the most costly option could be to stand still. For Europe, and Italy in particular, establishing a clear strategic direction is essential to maintaining competitiveness, industrial capacity, and international relevance.

“Politics is the art of making the necessary possible. The real risk today is not choosing the wrong path, but choosing to stand still.”

Vittorio Emanuele Parsi
full professor of
International Relations at
the Catholic University of
Milan



We discussed this with Mariangela Pira (SkyTg24)

Global competition hinges on the relationship between sustainability, industry and strategic autonomy. The United States and China are adopting industrial models that are based on long-term investment, control of critical raw materials, technological development and the capacity to swiftly convert political objectives into tangible growth tools. In contrast, Europe continues to struggle with fragmented decision-making, national differences, and the challenge of translating its ambitions into a unified industrial strategy.

Revising European transition policies does not necessarily mean abandoning sustainability goals, but rather signals the growing need to ensure that the transition is compatible with the dynamics of global competitiveness. Achieving ambitious targets requires investment in infrastructure and technologies, as well as supporting tools, to sustain businesses and production chains throughout the transformation process.

In this scenario, the importance of sustainability and innovation is not diminishing – it is evolving. Critical factors such as reducing emissions, ensuring energy security, developing clean technologies, embracing digitalization, and securing strategic raw materials are now more relevant than ever to productivity, supply chain resilience, risk management, and long-term competitiveness.

Therefore, Europe's challenge is not to choose between sustainability and competitiveness, but to transform its industrial, technological, and regulatory assets into a unified economic strategy capable of competing with major global blocs, while avoiding being caught between the industrial trajectories of Washington and Beijing.

“In Europe, we are still viewing a changed world through the lens of the 20th century. We cannot afford to keep playing catch-up with the other major global blocs.”

Mariangela Pira

Sky Tg24 journalist, host, and author specializing in international economics and economic geopolitics



1.1.

In the age of predators, a sustainable transition can no longer rely on global multilateralism

US industrial policies are aligning with China's on competitiveness and security, while climate remains the priority in the EU

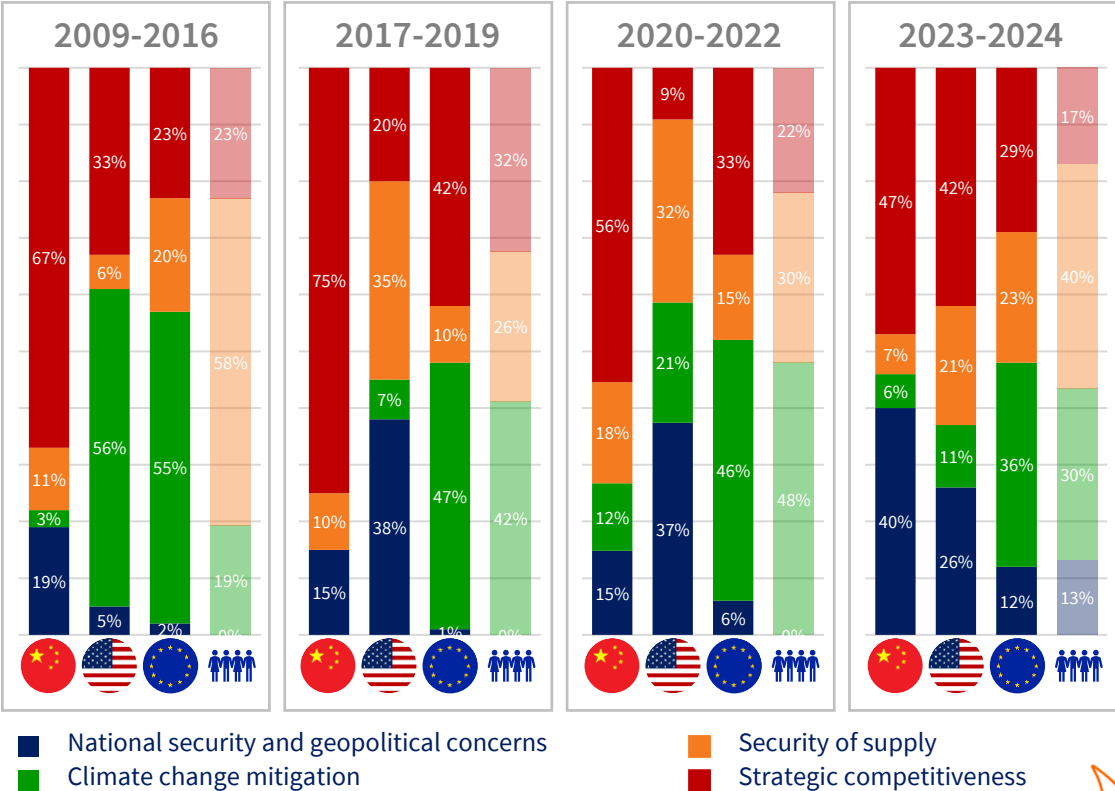
The industrial policy choices made by China, the US and the EU over the past 15 years have highlighted a gradual shift in priorities and a divergence of visions, particularly within the ‘Western bloc’.

Between 2009 and 2024, the United States adopted an approach that became increasingly similar to China's. The intensity of industrial policy actions focused on climate change mitigation fell by over 45 percentage points during this period, while the intensity of actions focused on issues such as strategic competitiveness and national security increased by 9 and 11 percentage points, respectively.

Meanwhile, climate change mitigation has remained the priority for industrial policy action in the EU, albeit influenced by the international context (55% in the 2009–16 period vs. 36% in the 2023–24 period)². This choice appears to reflect a ‘public concern’ that identified climate as the issue most deeply felt by citizens between 2017 and 2022 (in 48% and 30% of cases, respectively), but which today seem to be shifting towards security of supply (40%) and price trends^{2, 3}.

Against this backdrop, China's industrial vision appears to be more stable, facilitating long-term planning of public initiatives.

Trends in the stated reasons underpinning industrial policies versus the perceived relevance among European citizens (percentage of policies mentioning at least one stated reason and percentage preference among the selected variables, 2009–2024)^{1, 3}



Significant disparities are also emerging between countries in terms of sustainability, which could affect global competition

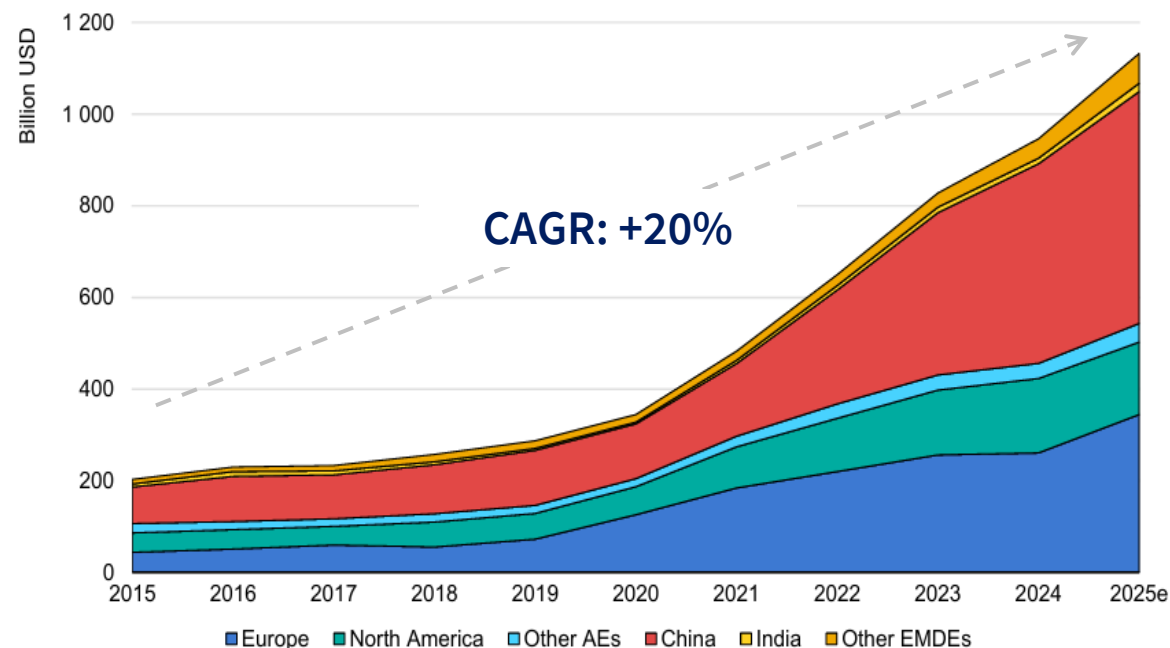
The issue of sustainability is becoming an increasingly important battleground for industry, particularly between the EU and China.

The market value of clean technologies has grown by an average of 20% each year over the last decade, reaching almost USD1.2 trillion by 2025. In line with announced policies, this figure is expected to reach almost USD3 trillion by 2035, which is comparable to the current size of the global oil market¹. Renewable energy sources are also gaining a permanent economic advantage: solar power and onshore wind power are now more cost-effective than fossil fuel alternatives in 91% of cases, avoiding around USD467 billion in global costs².

However, significant competitive imbalances are emerging. The EU is at a structural disadvantage in terms of production costs for clean technologies compared to China, which benefits from economies of scale, lower energy and labour costs, and an integrated industrial chain³.

The result is that China is gradually strengthening its position as a global hub for transition technologies. Meanwhile, the EU and the United States remain net importers, with direct implications for the competitiveness of Europe's industrial system.

Market value of key clean energy technologies
by geographical area
(USD billions, 2015–2025)¹



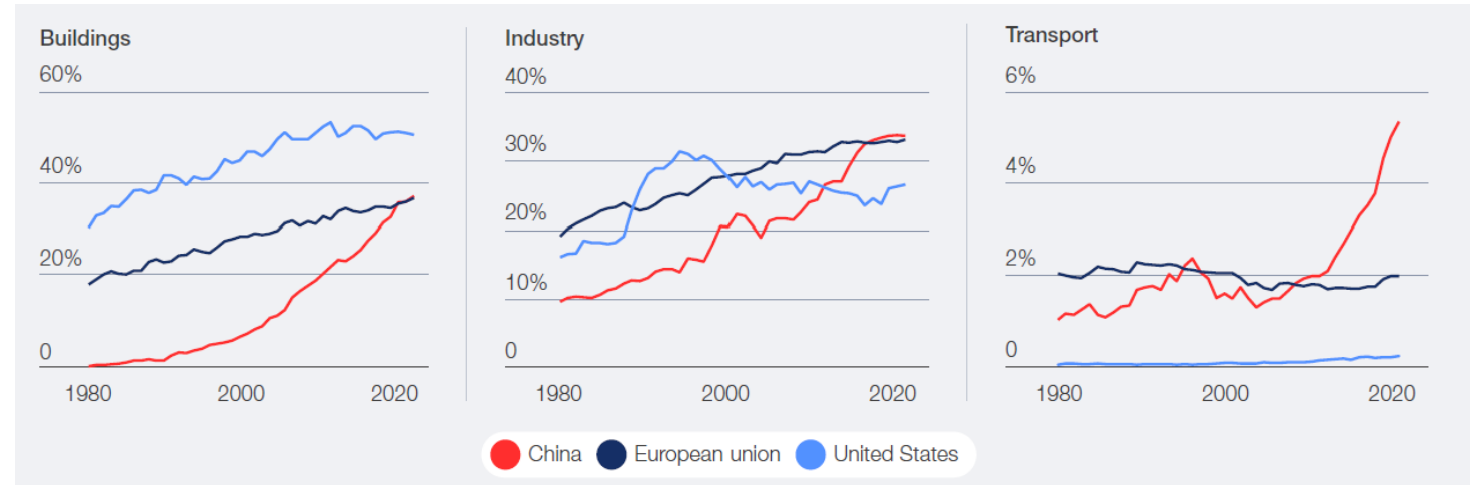
China's goal is to win the race for electrification in order to gain control over supply chains, markets, and prices

While the debate in the West remains fragmented by counter-narratives, political resistance and lobbying efforts, China has consistently pursued a long-term industrial strategy aimed at achieving strategic competitiveness in the field of electrification.

Today, this approach provides a systemic competitive advantage: China controls between 60% and 85% of production capacity in the main clean energy supply chains, exceeding 95% in certain stages of production¹.

This positioning is the result of two decades of deliberate industrial policy. From five-year plans to the 'dual carbon goals', Beijing has coordinated public investment, finance, and carbon trading instruments to develop an integrated supply chain – from extracting and refining critical raw materials to producing solar panels, batteries, and wind turbines².

Electrification of economies by sector and geography
(percentage of total energy consumption, 1980-2023)¹



Despite the shifting political climate, the financial momentum of climate leaders remains unchallenged.

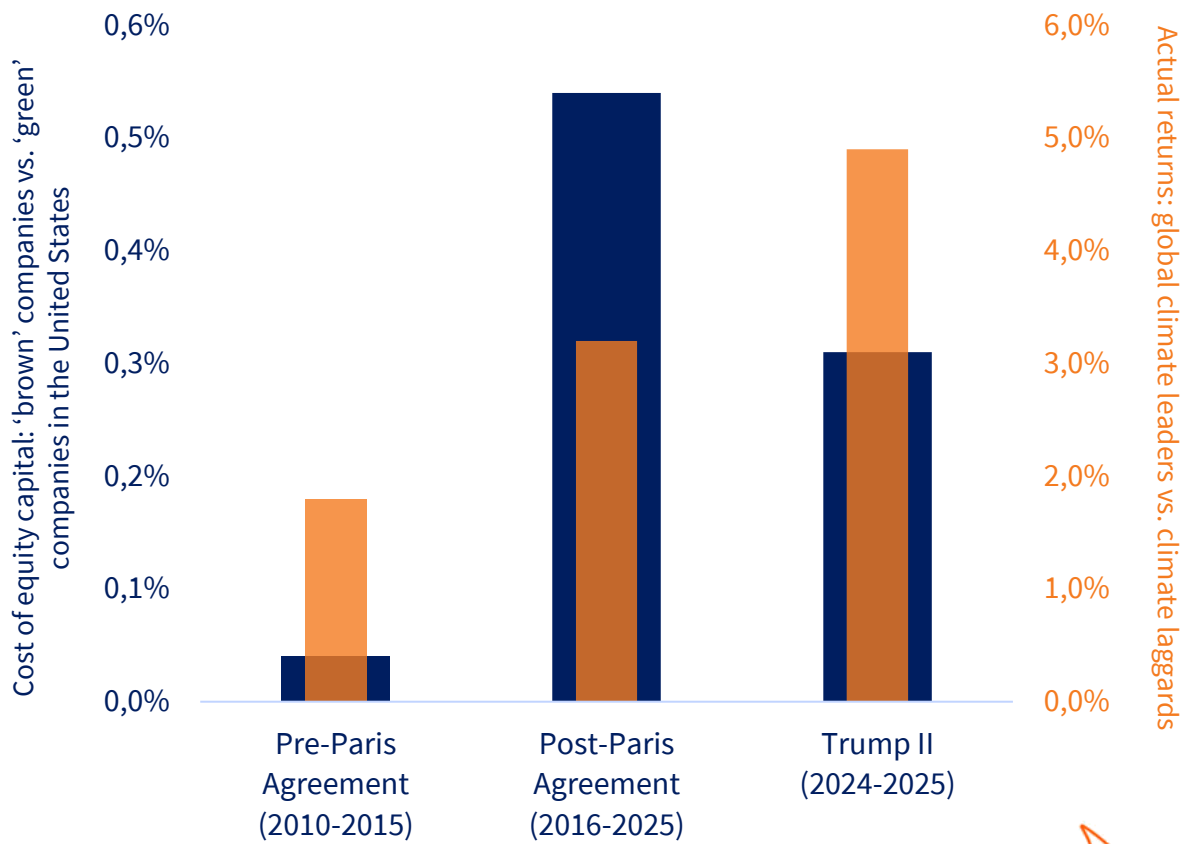
The integration of climate risk into financial markets determines the competitive dynamics between companies, influencing valuations, returns, and the cost of capital¹, beyond contingent political approaches.

Following the Paris Agreement, higher-emission companies in the United States saw a structural increase in the cost of capital (+0.55 percentage points compared to low-emission companies), reflecting stricter regulatory expectations and investors repricing climate risk.

However, Trump’s second term saw a departure from this trend: the relaxation of climate policies reduced the cost-of-capital differential to just 0.30 percentage points, thereby supporting the short-term performance of ‘brown’ companies.

Nevertheless, climate leaders continued to outperform their ‘brown’ competitors (+4.9% in actual returns) thanks to more robust earnings prospects fuelled by technological innovation, falling costs of clean solutions and pro-climate policy progress in Europe and Asia.

Comparison of cost of capital and actual returns in US ‘brown’ and ‘green’ sectors¹



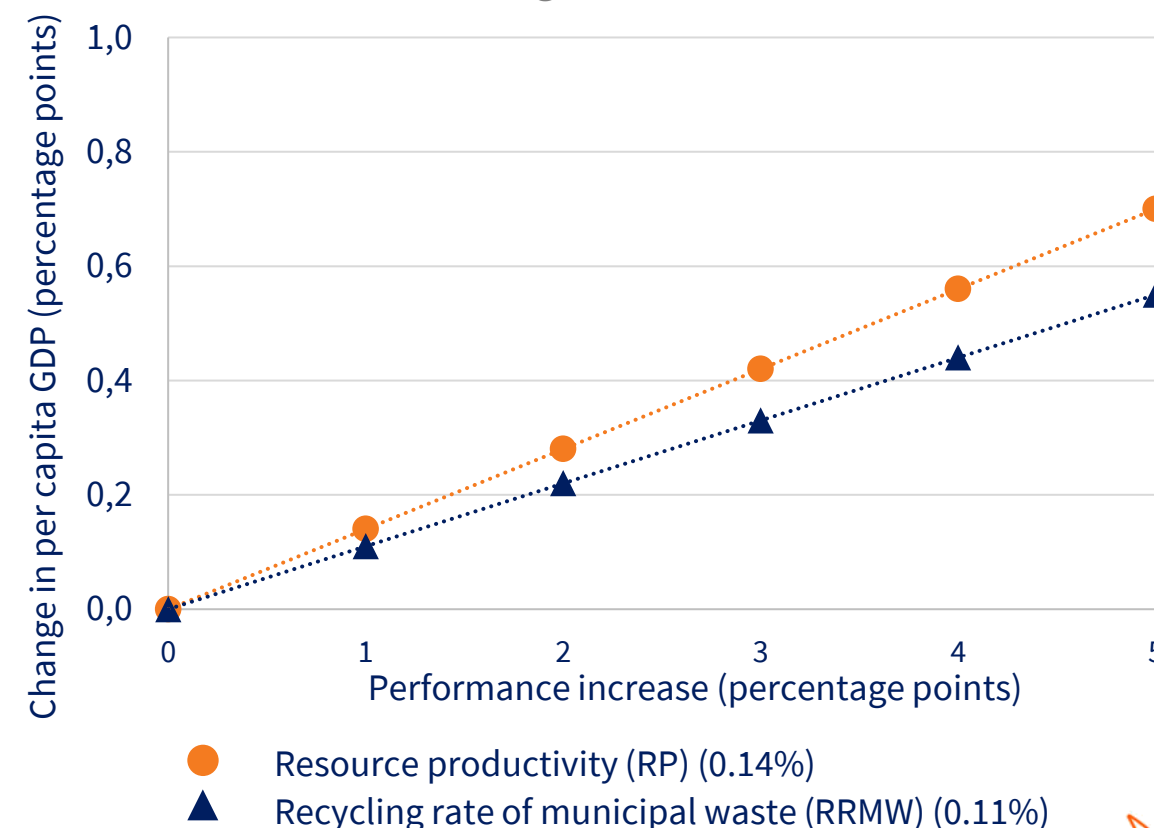
In EU countries, resource productivity and waste recycling contribute 0.25% to GDP growth

Over the last 20 years, economic growth in the EU-27 countries has also been accelerated by the transition to circular models.

Empirical evidence shows a positive and statistically significant correlation between circularity performance and growth in per capita GDP. Specifically, an increase in resource productivity contributes approximately 0.14 percentage points to GDP growth, while an increase in the municipal waste recycling rate generates an additional contribution of around 0.11 percentage points to economic growth¹.

The growing strategic importance of circularity is also linked to Europe's dependence on critical raw materials. Currently, the EU imports over 90% of the key resources required for batteries, renewable energy sources, semiconductors and digital technologies². In this context, increasing material recovery, reuse and recycling reduces exposure to geopolitical volatility and strengthens European industrial autonomy.

Correlation between resource productivity, waste recycling rate and per capita GDP growth (UE-27, 2000-2021)¹



1.2.

Growing resentment and social polarization are fuelling a new crisis of consensus, which is also affecting our ability to develop effective solutions and successfully complete the transition

Disinformation and social polarization have been among the main drivers of global risk for at least the past 3 years

The unchecked spread of false information and social polarization is undermining the foundations of social cohesion. This is a self-perpetuating phenomenon: disinformation amplifies divisions, and these divisions make people more vulnerable to disinformation^{1, 2}.

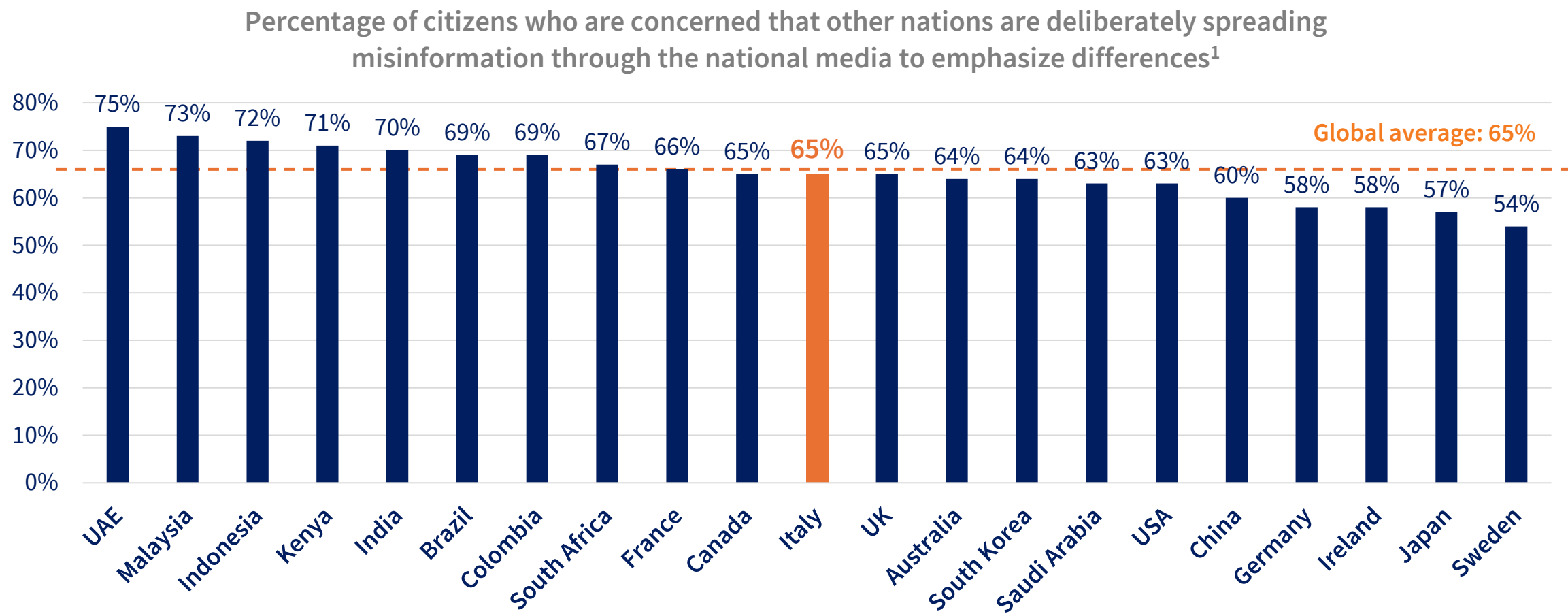
Over the last three years, misinformation and social polarization have consistently been among the top global risks¹. The two phenomena are directly and bidirectionally linked: the spread of false information is increasingly being used as a technique to ‘heat up the social climate’, and in turn, polarization creates fertile ground for the spread of false narratives – a phenomenon that is being amplified by the proliferation of digital platforms and AI².

This phenomenon also appears to exacerbate social conflict: half the population now perceives the world as a ‘zero-sum game’, believing that one person’s gain implies another’s loss³.

Top three positions in the global risk ranking¹
(from bottom to top: 2024, 2025 and 2026)



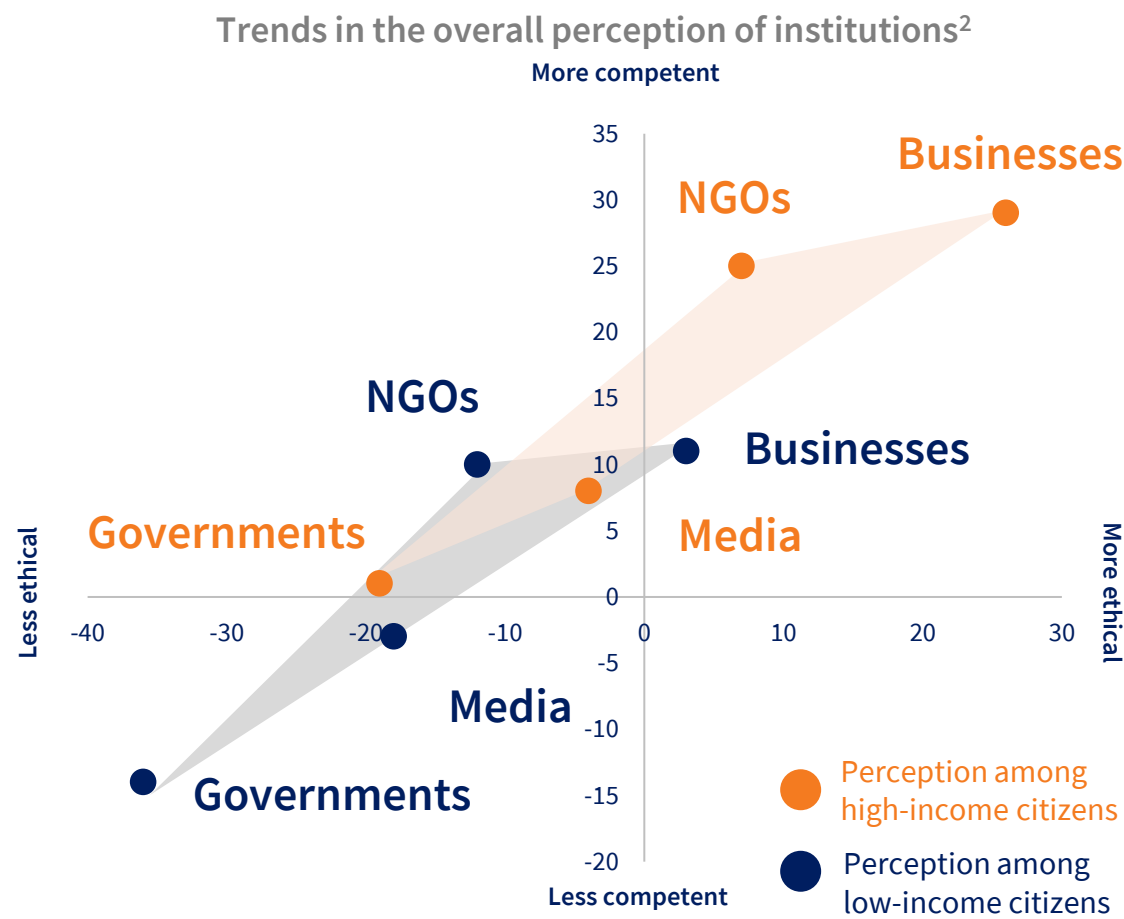
Citizens are increasingly convinced that other countries are deliberately spreading misinformation to create internal divisions



Income inequality breeds distrust in all social institutions, especially governments

Governments, businesses, the media and NGOs are now generally perceived as both incompetent and unethical. Even companies are seen as serving the interests of a select few, particularly by those on low incomes. In fact, 39% of the population say they are prepared to resort to hostile action to bring about change¹.

In Italy, public trust in companies has fallen in 14 out of 17 sectors since 2026. The hardest-hit sectors are technology (-9 percentage points, falling from 76% to 67%), food (-6 percentage points, falling from 71% to 65%), and retail (-6 percentage points, falling from 71% to 65%). Trust in the social media sector is by far the lowest, with only 37% of the public believing that companies in this sector are operating correctly (13 percentage points below the conventional trust threshold)^{1,2}.



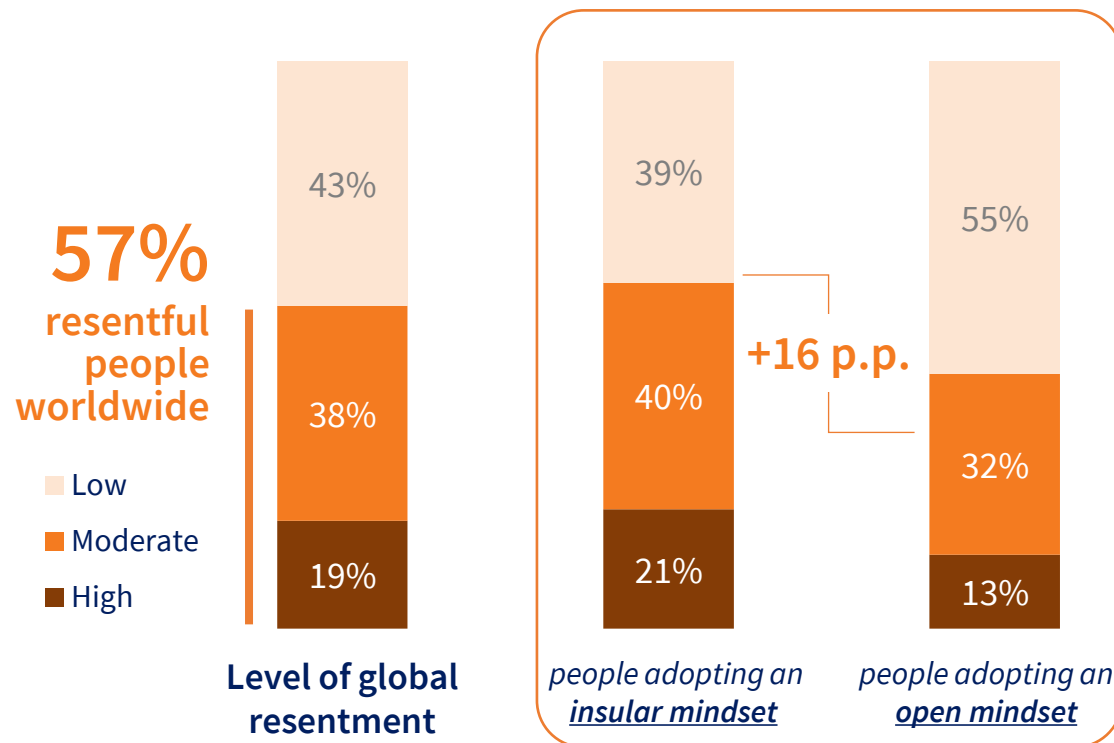
Social isolation, or ‘insularity’, can make people feel resentful and fuel civil unrest

The rise of disinformation and polarization is changing the way citizens interpret the outside world. In particular, there is a growing perception that threats and tensions are coming predominantly from outside, fuelling a climate of widespread insecurity and mistrust.

This dynamic leads to a shift in patterns of trust. In contexts characterized by an ‘insular mindset’, trust becomes concentrated within one’s own narrow circle, while trust in institutions, the media and public leaders decreases.

The result is a gradual weakening of the bonds of trust that underpin open societies¹. In fact, the proportion of ‘resentful’ individuals among those who feel most socially isolated is 16 percentage points higher than among those with more open mindsets.

*“I feel resentful because **businesses** and governments only serve a select few. **Their actions harm me**, and the system favours a wealthy elite who are getting richer and richer”¹*



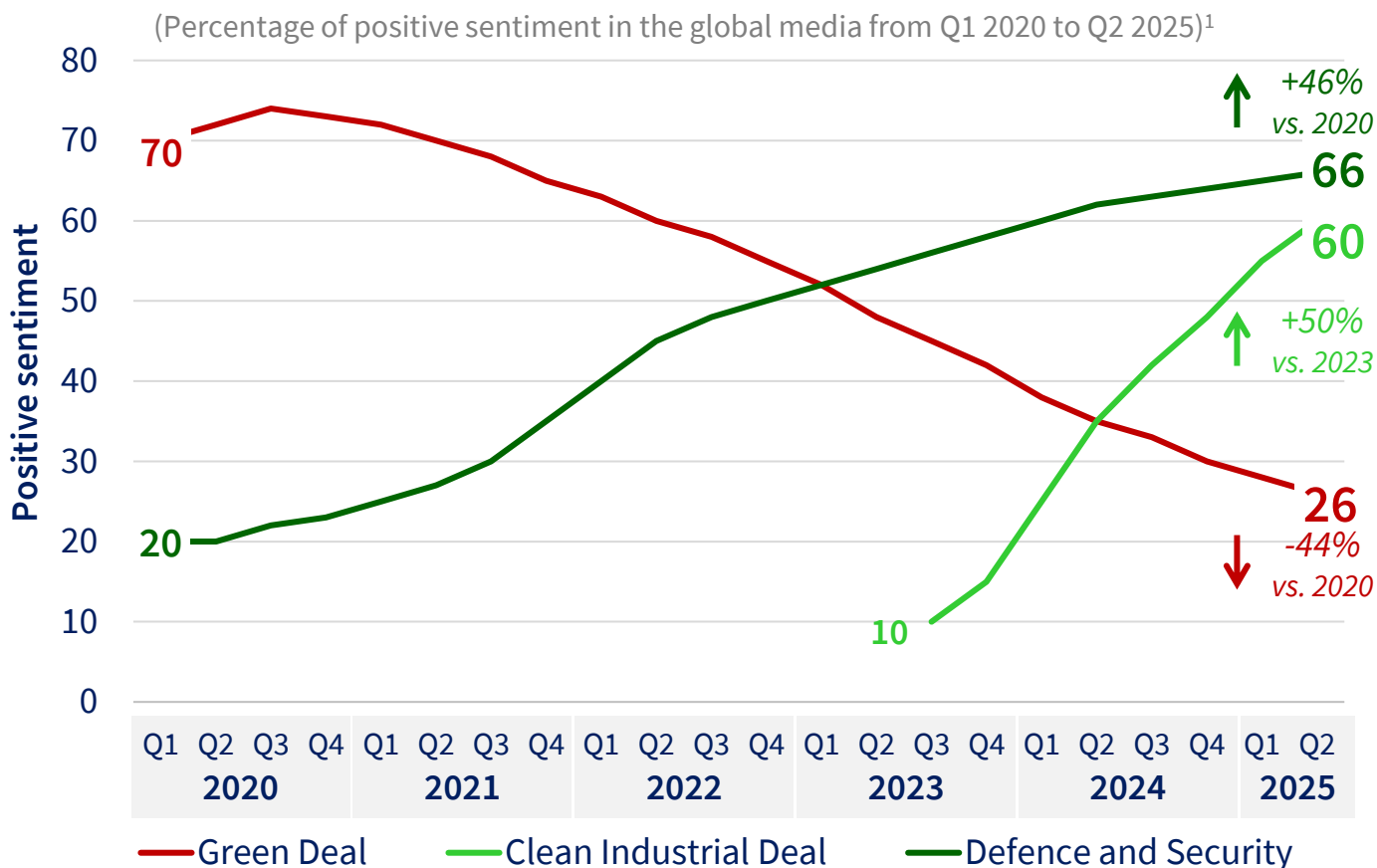
The media are paying increasing attention to defence, security and industrial competitiveness, shaping the debate on the transition

Since the end of 2020, the ‘European recipe’ for a sustainable transition has come under increasing criticism in the global media landscape. Other issues, particularly those related to defence and security, seem better able to attract public support.

While positive sentiment towards the Green Deal has fallen by over 44 percentage points in the last six years, media coverage of the new priorities has increased by over 50 percentage points, driven by rising international tensions.

This growing focus on aspects such as the resilience of production networks, strategic sovereignty and supply autonomy seems to have found a successful media tool in the form of the Clean Industrial Deal. This is the European Commission’s new blueprint for ‘sustainable competitiveness’, incorporating the recommendations of the Draghi Report.

Evolution of sentiment regarding the Green Deal, the Clean Industrial Deal and Defence in the media



Even the typically polarizing issue of sustainability has prompted the ‘losers’ to respond with a counter-narrative

On issues such as fighting climate change, there is more public consensus than the public debate suggests¹. The most negative public narratives appear to be shaped by those who stand to lose out from the transition, as a strategy to protect the interests of sectors whose business is threatened by the transition’s priorities.

In the US, the Western country most polarized on this issue, concern for the climate is widespread across the political spectrum. It is a key concern for 92% of progressive voters, 61% of conservative voters, and 57% of those on the far right. Although climate scepticism receives significant media attention, it represents a minority position¹.

The polarization over sustainability appears to be a communication strategy adopted by those labelled ‘enemies of the transition’, who would be at a disadvantage if these programmes were to succeed. The efforts of the ‘Competitiveness Roundtable’² to weaken the EU Corporate Sustainability Due Diligence Directive (CSDDD), which is promoted by an alliance of multinationals in the fossil fuel sector, are a case in point.

Composition of the Competitiveness Roundtable by sector and country of origin of its member companies



1.3.

When the costs of inaction far exceed those of action, a sustainable transition stops being a choice and becomes a necessity

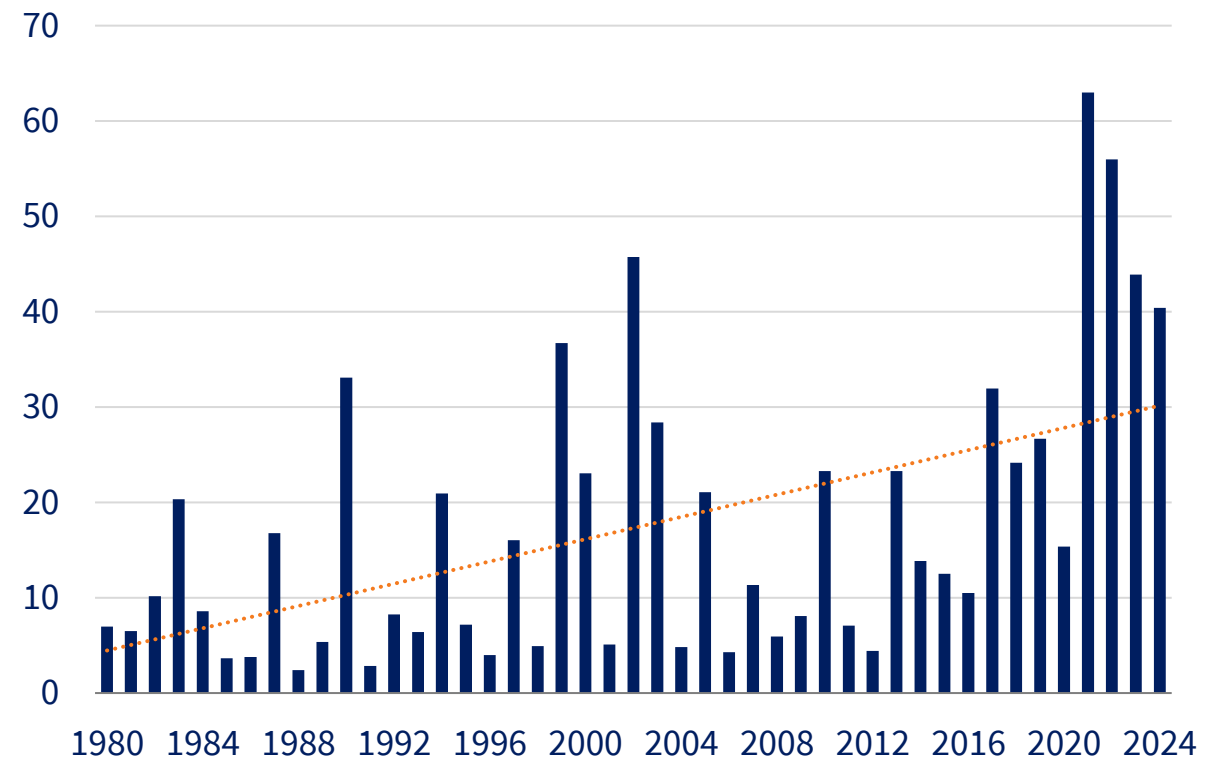
Europe is set to be hit hardest by the effects of climate change and is already bearing the brunt of it

Between 1980 and 2024, extreme weather events caused an estimated €822 billion of economic losses, with over €202.4 billion occurring between 2021 and 2024 alone¹.

Since 2009, economic losses have increased by 54%, with an annual growth rate of 3.4%. The annual cost of inaction averaged approximately €17.8 billion between 2010 and 2019, rising to an estimated €44.9 billion between 2020 and 2024¹.

Even in Europe, and even under the most optimistic scenario, the number of lives lost to heatwaves is expected to exceed those saved by milder winters. Projections for the net increase range from 8,000 to 80,000 people per year – roughly double the number of deaths in 2023 (48,000). The impact will be most pronounced in southern Europe, with a second hotspot in central Europe.)².

Annual economic losses caused by extreme weather and climate-related events in the EU (in billions of euros, 1980–2024)¹



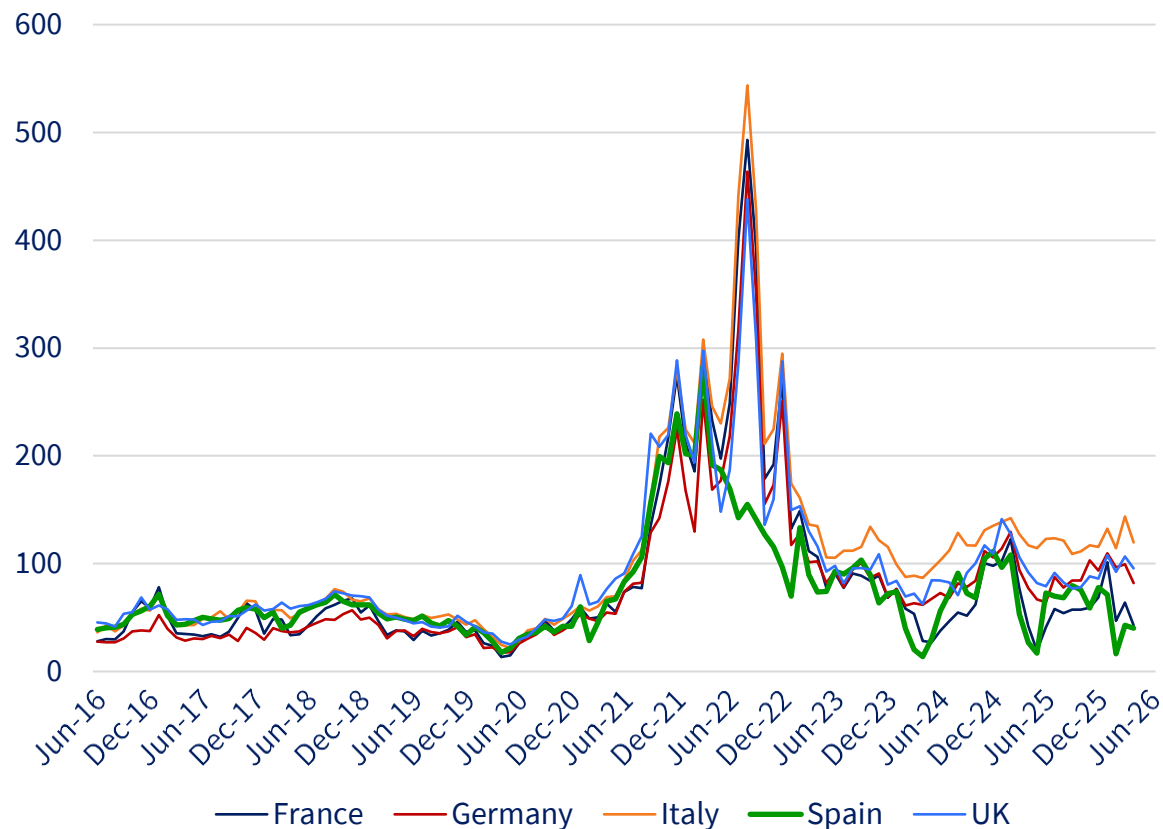
Competitiveness and sustainability go hand in hand, especially in some countries more than others

Recent conflicts in Ukraine and the Middle East have demonstrated that resilience, competitiveness and the energy transition are overlapping priorities for Europe. The energy mix is a key factor in competitiveness. In many industrial sectors, energy represents the most significant cost item and determines the prices of finished products.

The Spanish example provides clear evidence of how the shift towards renewable energy sources has safeguarded industrial competitiveness, even during times of crisis. In 2025, 57% of the electricity generated in Spain came from renewable sources, primarily solar power. This was the result of investments made over the previous decade².

Following the outbreak of war in Ukraine in 2022 and the recent conflict in Iran, other European countries recorded unprecedented spikes in wholesale prices (Italy: +20%; Germany: +15%). However, Spain was able to contain volatility thanks to its energy mix being less dependent on fossil fuels. The impact of this fall in prices on the economic and financial sustainability of the energy sector remains to be seen.

Wholesale electricity prices (€/MWh)¹



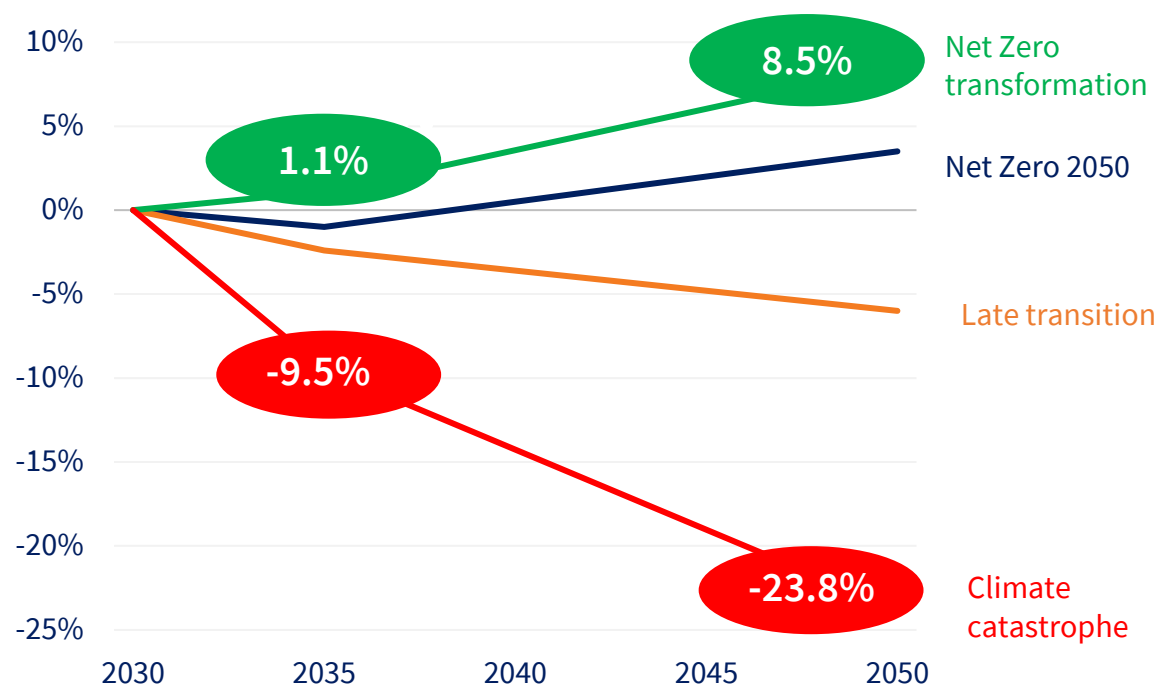
For the Italian economy, the transition could pose a significant risk (if delayed) or present an opportunity to boost GDP

Projections of the evolution of national GDP show that the real risk to Italy is not the transition itself, but the slowdown caused by climate change. Even under the ‘Late Transition’ scenario, which assumes that current policies remain in place, extreme weather events could result in a 5.1% loss in GDP by 2050¹.

Conversely, an investment-driven transition underpinned by innovation and coherent industrial policies could positively impact the economy as early as 2030, with an increase of 1.1% by 2035 and 8.4% by 2050. This would provide widespread benefits to sectors such as manufacturing, services, construction, utilities and agriculture². Delaying action would require more drastic measures and result in greater inflationary and employment pressures than if action had been taken in good time.

It is no coincidence that the 2025 Annual Report on Security Information Policy, published by the Presidency of the Council of Ministers, also identifies sustainability-related issues such as climate change, demographics, immigration and social inequalities as key strategic threats³.

Projections of the impact of different scenarios on Italy's real GDP in 2035 and 2050 (percentage change in GDP compared to 2025)²



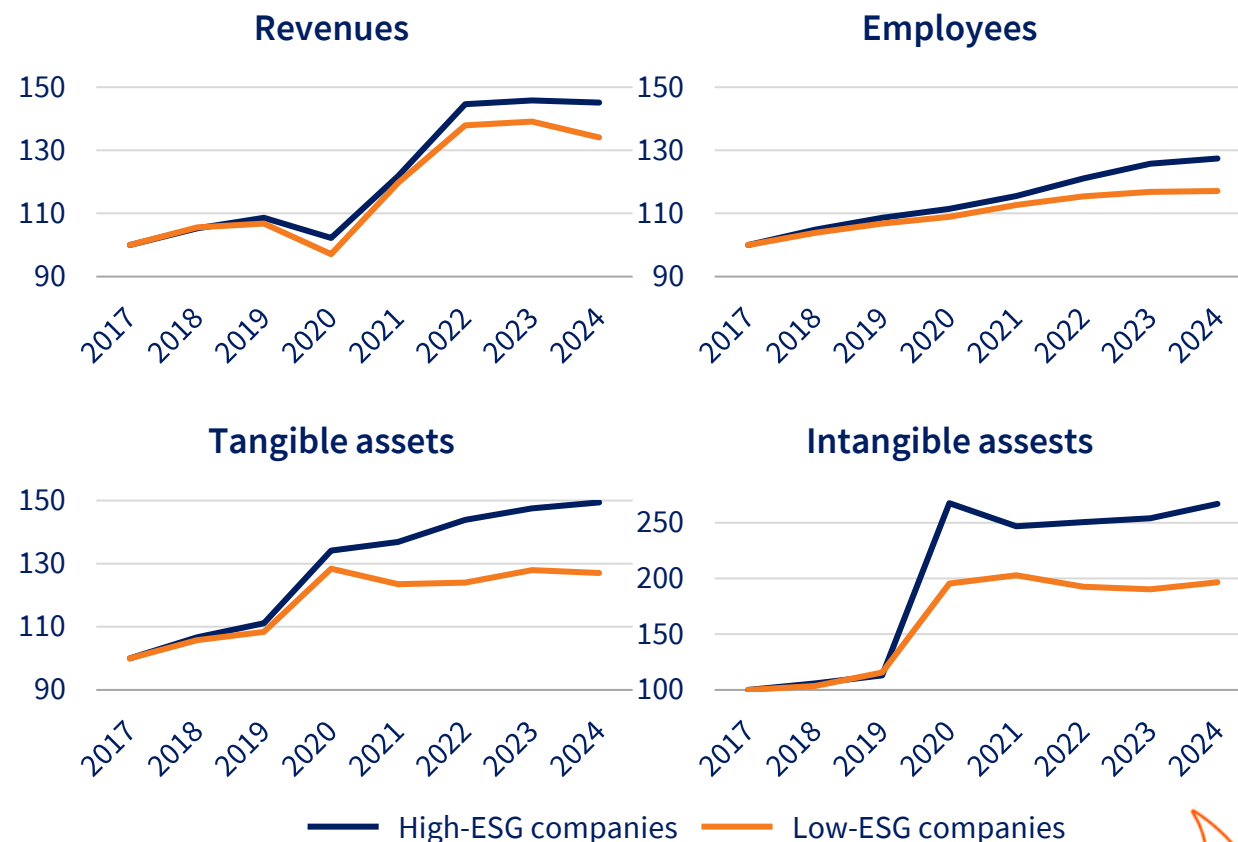
Over the past seven years, Italy's most sustainable companies have consistently outperformed their competitors

Since 2017, the financial data of companies included in the Tagliacarne-Unioncamere survey have shown a clear distinction between high- and low-ESG companies¹.

Compared to 2017, the revenue of high-ESG companies increased by 65% in 2024, compared to 55% for low-ESG companies. Meanwhile, their respective number of employees grew by 40% and 28% respectively. The 'ESG effect' was even more pronounced when fixed assets were considered, with high-ESG companies experiencing growth of 49% and 167% in tangible and intangible assets, respectively. By contrast, low-ESG companies experienced significantly more modest increases of 27% and 97%, respectively.

Furthermore, companies with a high ESG rating have better future prospects. 42% of high-ESG companies expect turnover to increase in 2026, double the figure recorded among low-ESG companies (21%)². The same applies to expectations regarding workforce growth in 2026: 25% of high-ESG companies expect an increase, compared to 10% of low-ESG companies.

A comparison of high-ESG and low-ESG companies: performance indicators (2017–2024, 2017 Index = 100, N=4,500 companies)¹



Circular businesses are 28% more creditworthy, making them more attractive to private investors

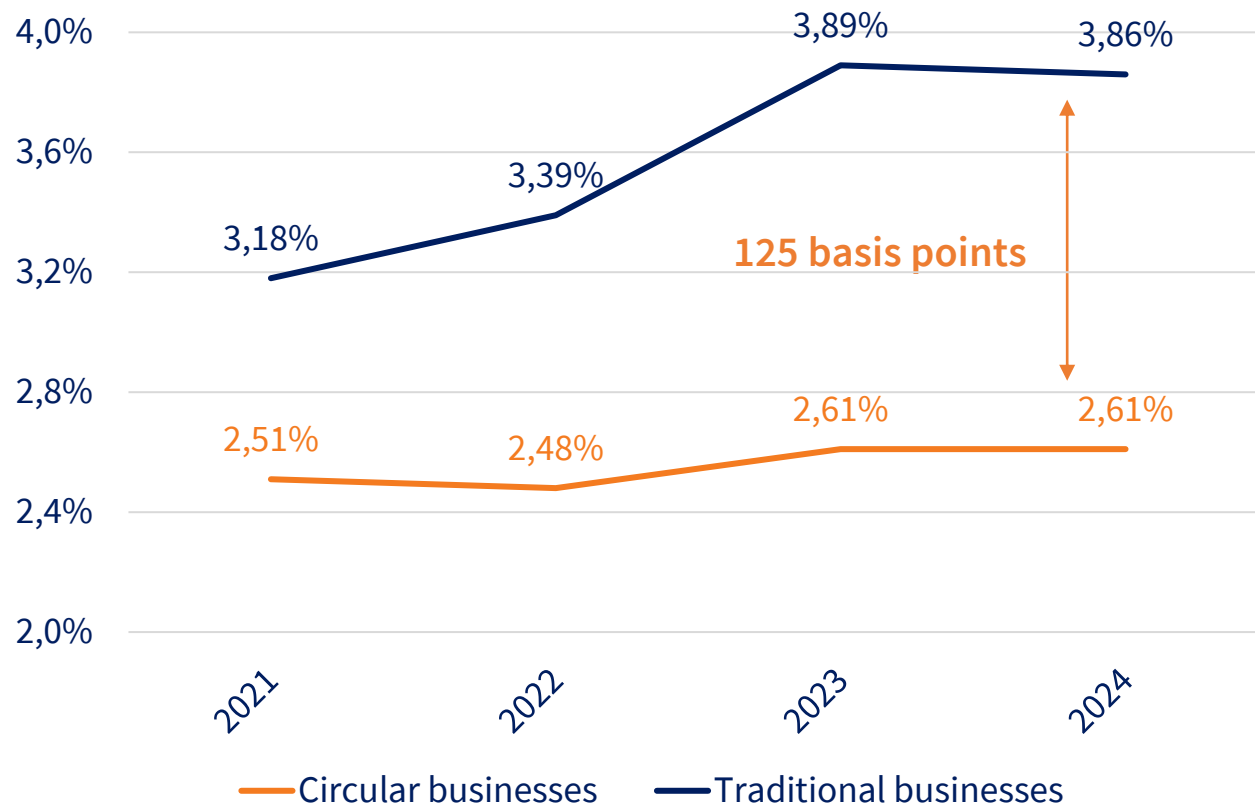
Italian credit institutions could achieve potential savings in terms of risk exposure of around €4 for every €100 of loans granted, as well as €0.3 in regulatory capital, if they were to direct their lending towards circular economy businesses².

Circular businesses are generally considered to be more creditworthy due to their stronger economic fundamentals. Compared to traditional competitors, circular businesses:

- generate around 1.5 times more cash;
- have debt levels that are 6% lower;
- show a 24%² higher debt coverage ratio based on operating profit.

These factors make circular enterprises particularly attractive to the financial system, as they are associated with lower credit risk and greater stability in cash flow generation over time. Looking ahead, the adoption of circular business models could therefore contribute to environmental sustainability and reduce systemic credit risk and the absorption of regulatory capital for financial institutions.

Probability of default trends among Italian circular and traditional businesses (percentage, 2021-2024 N=2,000 companies)¹



1.4.

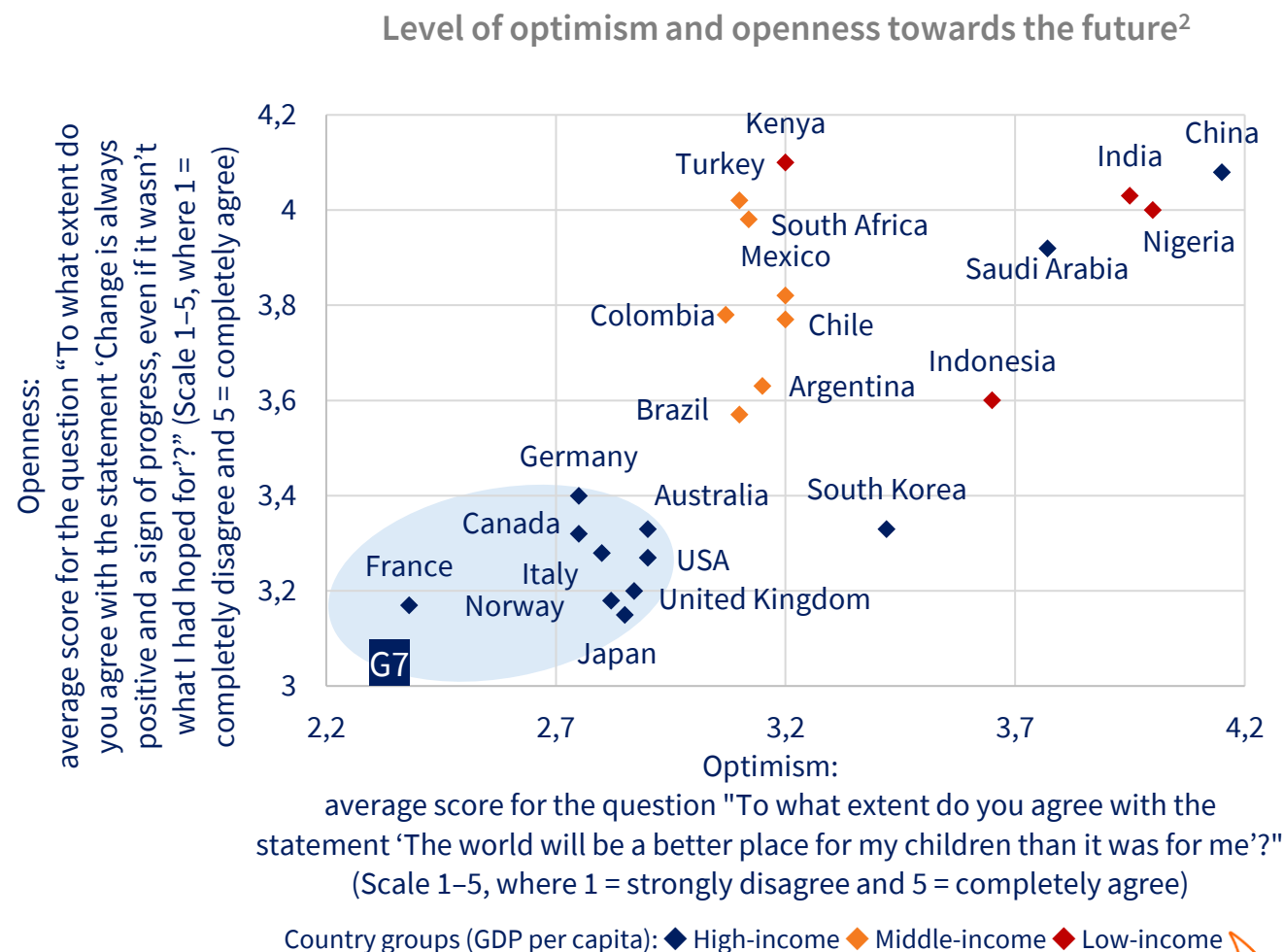
Simply knowing what needs to be done is not enough to bring about change. Collaboration and dialogue are key to transforming 'walls' into networks

Even the wealthiest societies struggle to take action without a credible vision capable of motivating people

G7 countries consistently demonstrate lower levels of optimism and openness to change than emerging economies².

In high-income countries, decades of sluggish growth, inequality and political instability have gradually eroded confidence in progress. The result is a population that is less willing to accept change, less inclined to support long-term investment and less willing to embrace the structural transformations required by the ecological and industrial transition².

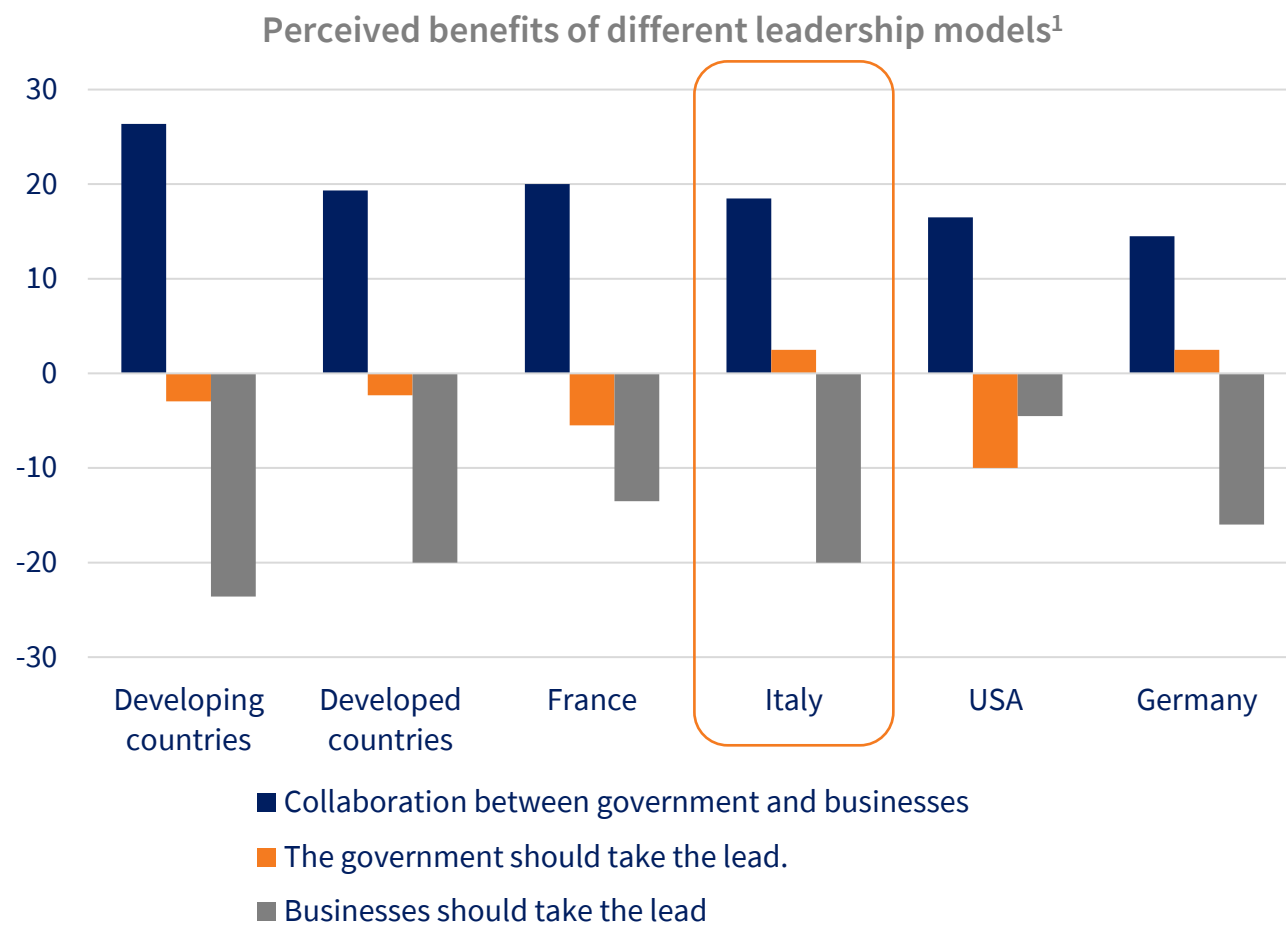
As Diane Coyle observes: *“People across the world and across the political spectrum care deeply about climate change and the loss of nature. However, their concern does not translate into strong support for the government policies and corporate strategies needed to solve the problem”*. Therefore, the issue is not a lack of awareness, but rather the difficulty of constructing a vision of the future that is perceived as credible, fair, and desirable¹.



Rather than merely negotiating, governments and businesses are now expected to collaborate, particularly on sustainability issues

The climate challenge and biodiversity loss cannot be addressed as separate issues. They require a fundamental realignment of interests between the public and private sectors that goes far beyond the logic of regulation and compliance.

In fact, leadership models based on collaboration between governments and businesses are perceived as beneficial by the public across all the global regions analysed, with a score of around +20 points. By contrast, the public perceives the dominance of either government or businesses as having negative effects: -3.5 points if leadership were entrusted solely to governments, and -16.3 points if businesses were the sole leaders. In other words, citizens believe that the only way to make 'good' decisions and take effective action on sustainable transition is to foster collaboration between institutions and businesses.



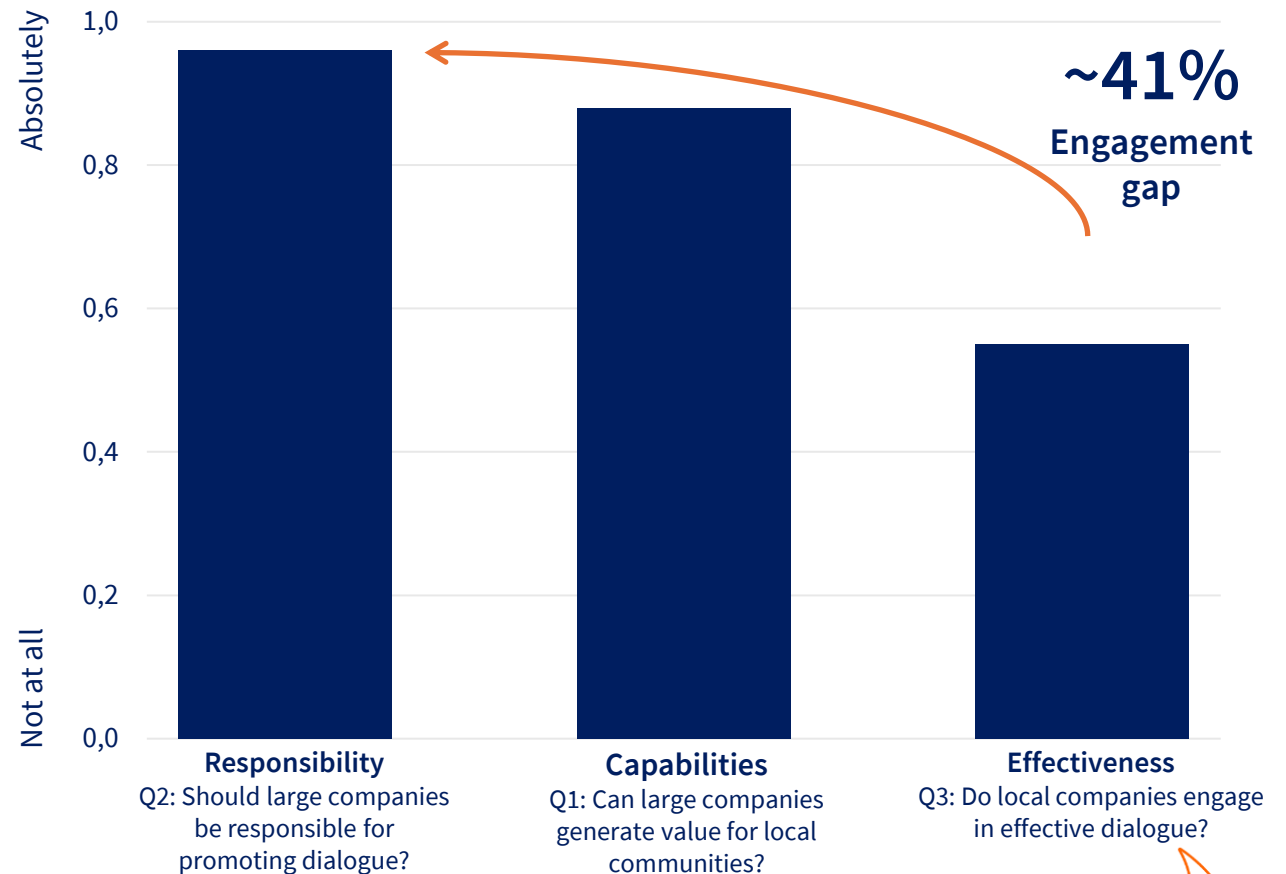
In Italy, the public recognizes the important role that large companies play in dialogue

Almost all citizens (96%) believe that large companies should engage in dialogue with local communities, and 88% recognize their potential to create value through business activities.

However, when the effectiveness of that dialogue is measured, the assessment is scaled back drastically: only 55% of respondents believe local businesses engage in effective dialogue.

In a context of widespread mistrust, 35% of people state that a trustworthy company is one that encourages collaboration to find shared solutions to divisive social challenges². Today, companies enjoy a kind of ‘social licence to operate’ – but only if they act effectively, ethically and responsibly. Superficial or belated consultations do not resolve conflict; they risk exacerbating it. An example of this can be seen in the 156 Italian infrastructure projects that are still stalled due to territorial disputes, with a total value of around €27 billion¹.

Comparison of responsibility, capabilities and perceived effectiveness in dialogue by large companies¹



Overview dei Key Message di Sezione

2.1. Despite regulatory uncertainty and a lack of financial recognition from the market, 75.5% of business leaders believe that prioritizing sustainability initiatives with a payback period of under 36 months is a matter of ‘antifragility’

2.2. The transition’s promise not to leave anyone behind appears to have been broken, as it has created vastly different competitive prospects for ‘winning’ and ‘losing’ sectors

2.3. To promote the growth of supply chains, businesses need policies that encourage greater harmonization of regulations and ongoing incentives

2.4. Just under 51% of businesses and policymakers agree on the priorities of the transition. The gap lies less in the issues themselves than in the instruments chosen and, above all, in the complexity of the regulatory framework – particularly with regard to decarbonisation, climate adaptation, and the circular economy

II. Non-negotiable priorities*

We discussed this with Catia Bastioli (Novamont S.p.A)

Ambitious targets defined from above alone are not enough to complete the sustainable transition. Instead, economic systems, regions and supply chains must be guided along specific, shared paths of transformation. At this critical point in history, it is urgent that the industrial, economic and social conditions necessary for the transition to succeed are created.

Profound transformations require tools that can balance innovation, competitiveness and productive cohesion. Policies that focus solely on long-term targets, without providing adequate support or involving the industrial sector, risk having unintended consequences. These include investment uncertainty, a slowdown in innovation, and a growing disparity between regulatory objectives and businesses' actual ability to meet them.

Therefore, the challenge is not to slow down the transition, but to develop evolutionary models that can harness the unique features of different regions, incorporate technological innovation, and facilitate the transformation of existing economic sectors.

From this perspective, competitiveness is measured by more than just the ability to reduce emissions or meet new standards. It is also measured by the ability to build resilient industrial networks, develop new skills, create connections between sectors and transform innovation and sustainability into economic and social value.

In Europe, we should focus less on chasing models developed elsewhere and more on capitalizing on our distinctive strengths, such as industrial quality, the capacity for innovation, regional roots, and creating new supply chains that can balance economic growth, sustainability, and long-term development.

The only way we can overcome the 'walls' that are gradually separating us is by networking with businesses and institutions.

“Industrial and regional networks are the pillars on which Europe can build to take on new challenges, as well as fostering innovation, cooperation and a shared industrial vision.”

Catia Bastioli

Novamont CEO,
Italian chemist,
entrepreneur and
innovator, and one of
Europe's leading figures in
the circular bioeconomy



We discussed this with Marco Imparato (APPLiA Italia)

Rather than labour costs, the ability to create favourable conditions for manufacturing, innovation and investment is becoming an increasingly important factor in European industrial competitiveness. Europe still has a strong manufacturing presence in the household appliances sector, with Italy, Poland and Germany being key production hubs. However, the competitive landscape is changing rapidly. The growth of Asian producers, driven by high levels of automation, technological capability and lower production costs, is shifting the balance.

To safeguard its competitive advantage, Europe must create conditions that enable industry to continue producing and innovating within the European Union. The key areas requiring action are energy, raw materials and technology. Although automation is reducing labour costs, energy costs remain one of the main strategic variables for European manufacturing.

Added to this is the issue of the regulatory framework. While certain regulations introduced in recent years, such as the CBAM, the revised F-gas Regulation and new supply chain and product sustainability obligations, pursue laudable objectives, they risk generating costs and complexity that primarily affect European producers if they are not accompanied by equivalent competitive conditions along global value chains. The increasing fragmentation of national requirements also poses the risk of placing further competitive pressure on businesses.

To preserve European manufacturing, we require industrial policies that can balance sustainability, innovation and competitiveness. The ability to maintain production, investment and technological leadership in Europe will be increasingly important in the competitive landscape of the coming years.

“Nobody is calling for less Europe. We already have plenty of rules; we just need to learn how to use them wisely.”

Marco Imparato
APPLiA Italia
General Manager



2.1.

Despite regulatory uncertainty and a lack of financial recognition from the market, 75.5% of business leaders believe that prioritizing sustainability initiatives with a payback period of under 36 months is a matter of ‘antifragility’

When it comes to integrating sustainability into business, the benefits of cross-functional collaboration far outweigh any resistance

In nearly 7 out of 10 companies, sustainability is already a focus of cross-functional collaboration. The sustainability function’s most effective collaborations with colleagues involve processes such as Risk management (76%), Management systems (75%) and Reporting (72%).

However, the greatest resistance emerges in more sensitive areas, such as remuneration (25%), stakeholder engagement (21%) and sustainable procurement (21%).

The ability to collaborate effectively with other departments is directly linked to the influence that the sustainability function has on corporate strategies. 97% of managers who report a high level of collaboration also report a significant influence over business decisions. Where collaboration is lacking, however, the ability to influence corporate decisions is often perceived as non-existent.

THE LEADERS' ROUNDTABLE PERSPECTIVE

Building influence and collaboration go hand in hand. Simply appointing a dedicated sustainability manager is not enough if the issue is not integrated into the company's processes and culture. Change requires leadership, cross-functional collaboration and the ability to inform strategic decision-making, particularly when innovation and investment necessitate a long-term vision.



“As a manager, in which areas do you encounter the most cooperation or resistance from other relevant business functions when it comes to integrating sustainability?”



In the past 3 years, 8 out of 10 companies have increased their sustainability commitments, driven by influential managers and compliance

Over the past 3 years, companies' commitment to ESG issues has grown significantly, aided by strong European regulatory pressure: 68.6% of companies report having increased their actions in this area, albeit often through selective measures.

The data also highlight the important role of governance. In the most active companies, the development of the ESG model was supported by individuals with strong leadership skills and significant internal influence in 83% of cases. However, in the absence of such figures, commitments appear to be driven more frequently by external factors related to compliance and market expectations (e.g. requirements from major clients).

In contrast, only 25.5% of companies have maintained or reduced their commitment over the past 3 years.

THE LEADERS' ROUNDTABLE PERSPECTIVE

Within the company, sustainability is often influenced by compliance, which poses risks. The most significant risk is that it reduces the ability of sustainability to generate true innovation. When sustainability is viewed merely as an obligation rather than a strategic tool, its transformative potential is greatly diminished.



When the market does not recognize the value of sustainability, companies focus on quick wins with returns within 36 months

When analysing the ‘payback’ times for sustainability initiatives, a clear divide emerges: 38.2% of companies report seeing benefits within three years of launching their initiatives, while 27.5% say they have not yet seen any tangible results.

The findings are equally interesting when viewed from the opposite perspective. Among companies that have significantly increased their sustainability efforts over the past three years, 64.5% saw benefits within the same timeframe. This figure drops to 46.2% among those that took a more selective approach.

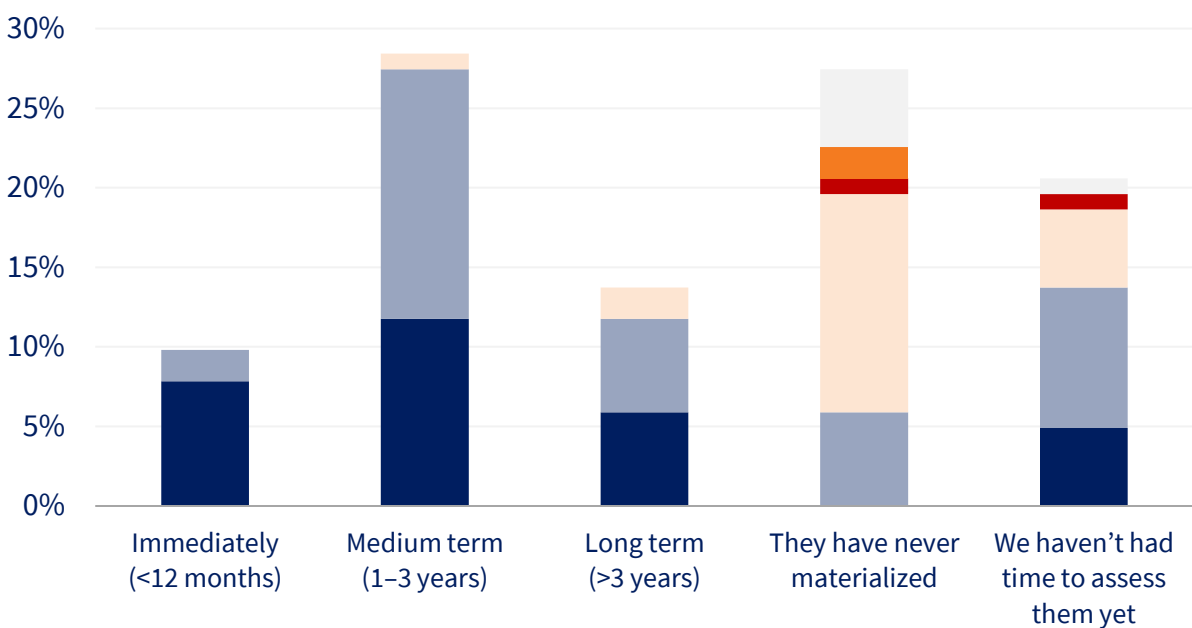
However, in more than 4 out of 10 cases, the benefits only become apparent in the medium or long term. The ‘return’ on sustainability does not happen immediately; concrete results require continuity and strategic consistency.

THE LEADERS' ROUNDTABLE PERSPECTIVE

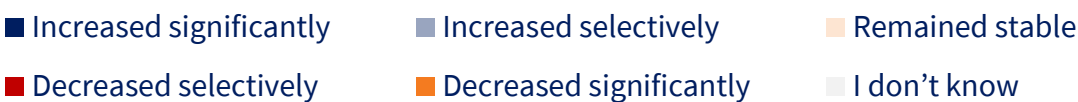
Awareness among end consumers remains one of the main obstacles to accelerating sustainability. In the absence of clear market recognition of economic value, businesses are primarily responsible for the costs of the transition. To avoid losing competitiveness, these companies can only seek ‘quick wins’ that generate returns within a very short timeframe.



“How long did it take your company to start reaping the benefits of its commitment to sustainability?”



“Over the past 3 years, your company’s strategic commitment to ESG issues has...”



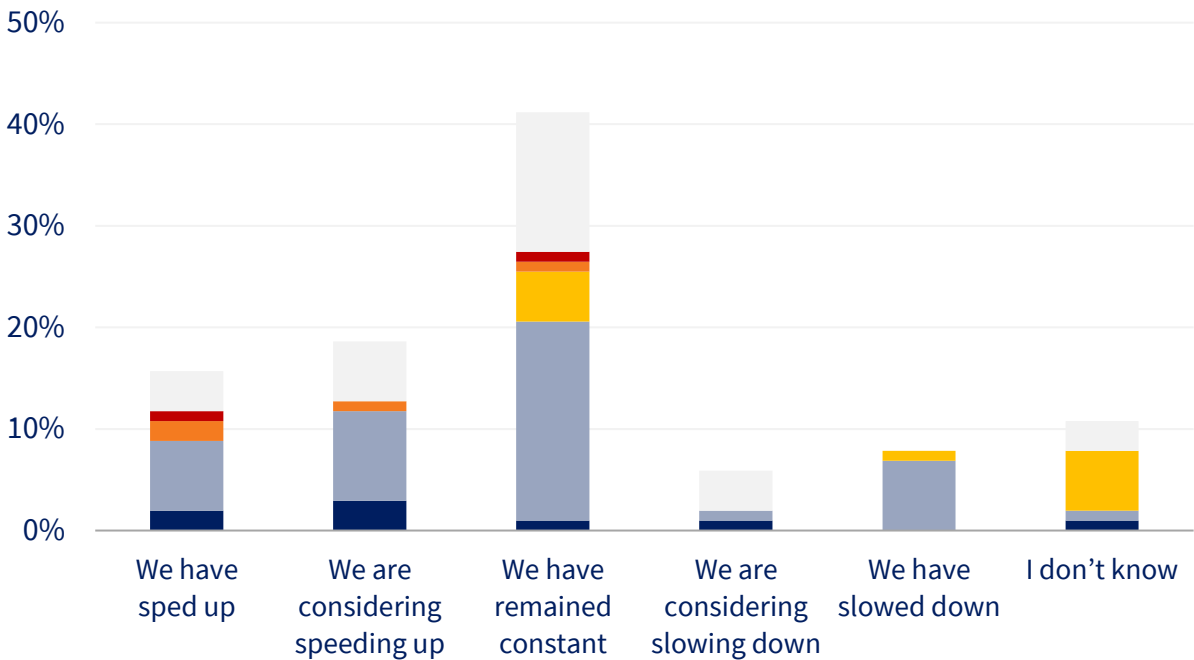
Although they do not foresee significant benefits in the near future, the ongoing simplification of EU regulations is not holding businesses back

Despite the current review of the regulatory framework prompted by the Omnibus decrees, the regulatory uncertainty that characterizes this new ‘European season of sustainability’ does not appear to be deterring companies. In fact, 75.5% of companies believe that maintaining or strengthening their existing ESG commitments is the right approach. In other words, companies are addressing this issue for reasons that extend beyond mere regulatory compliance.

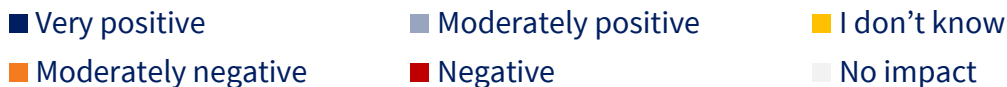
Although businesses perceive the regulatory simplification introduced over the past year and a half as advantageous, its anticipated impact on business appears to be marginal. While 51.9% of companies expect to benefit, these benefits are generally considered to be modest. Nevertheless, more than one in three companies believes that reducing regulatory pressure would not be beneficial.

Whether competitiveness is gained or lost through sustainability, it depends less and less on compliance alone, and increasingly on the link between sustainability and industrial strategies.

“How has the current regulatory uncertainty affected your company’s sustainability commitments?”



“What impact would a reduction in regulatory pressure on sustainability issues have on your business?”



The 3 areas of sustainability that companies are not willing to compromise on are energy, working conditions, and circularity

Removing regulatory obligations would not change companies' priorities uniformly. Certain aspects of sustainability are now firmly embedded in corporate strategies because they are seen as key drivers of competitiveness, efficiency and resilience.

Regardless of regulatory constraints, companies would continue to prioritize energy efficiency (23%), working conditions and employee safety (19%), and the circular economy (14%).

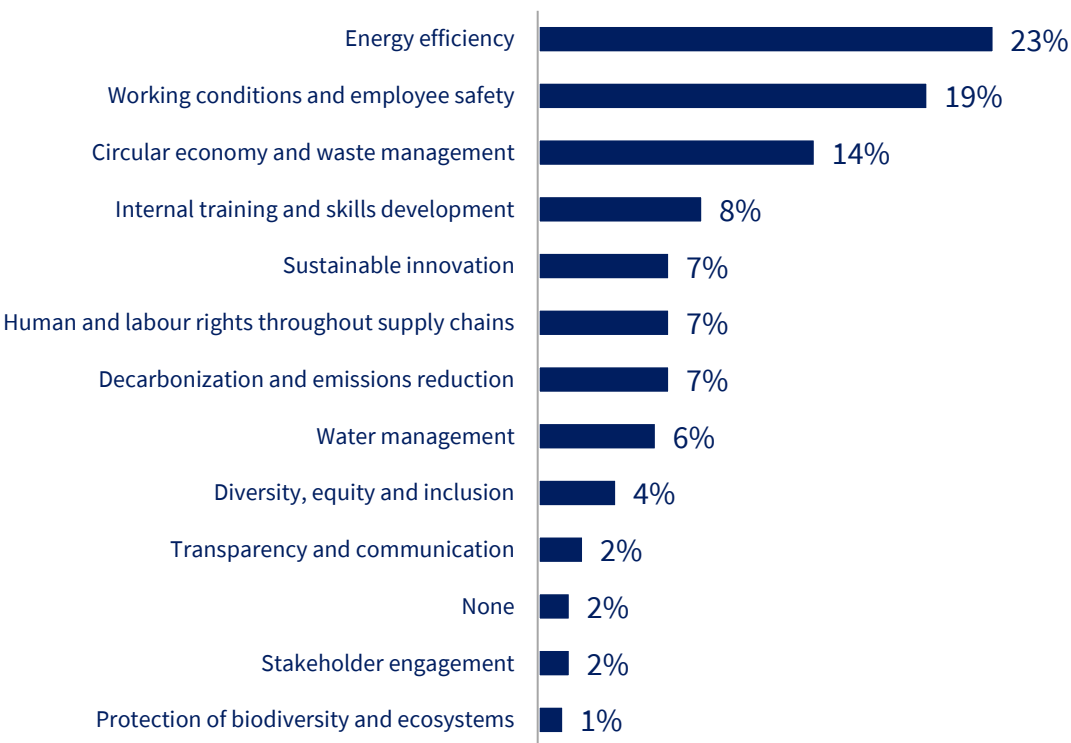
This finding is further supported by the fact that, when asked which sustainability projects they considered strategic enough to continue over the next 3 years, more than 50% of surveyed companies cited energy efficiency and renewable energy initiatives, and 14.7% highlighted circular economy projects.

THE LEADERS' ROUNDTABLE PERSPECTIVE

Although regulatory compliance was the driving force behind the transition, today it risks hindering innovation. In order to transform these provisions into a driver of development capable of supporting long-term investment and strategy, companies require stable, predictable and consistent standards at a European level.



“Imagine that the European Union were to remove all sustainability regulations tomorrow. Which areas would your company consider strategic enough to continue focusing on?”



2.2.

The transition's promise not to leave anyone behind appears to have been broken, as it has created vastly different competitive prospects for 'winning' and 'losing' sectors

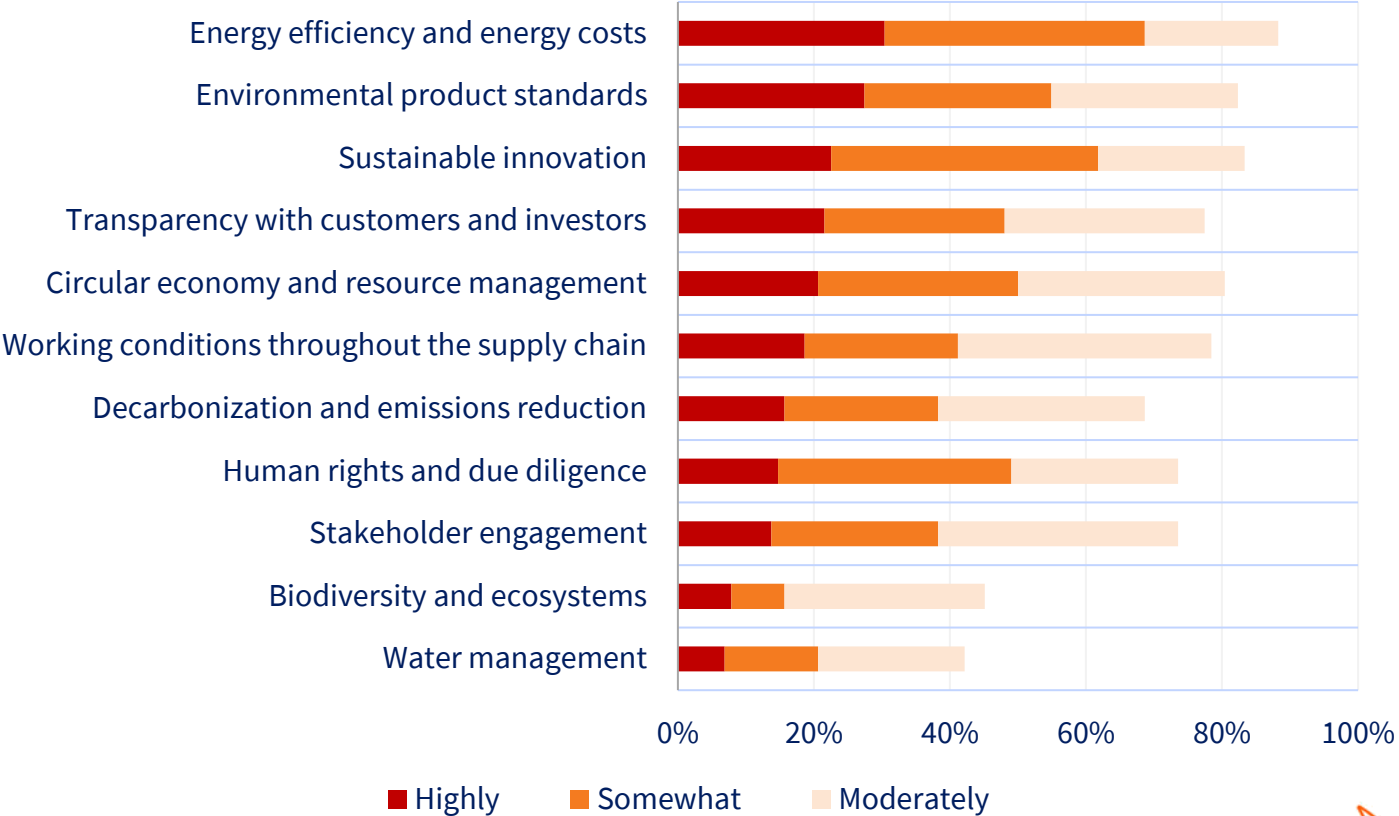
The competitive landscape in various sectors around the world has already adopted sustainability, particularly with regard to energy issues

Around 1 in 4 businesses already recognizes that sectoral competition on international markets is linked to sustainability issues. These factors now play a significant role in the dynamics of global competition, exposing European companies to new market equilibria in which sustainability can be a production factor and a key determinant of competitive success.

Over 88% of companies identified energy efficiency and cost as the main area of competitive exposure, followed by sustainable innovation (83%) and environmental product standards (82%). This pressure appears to be particularly significant in the manufacturing sector.

Even today, less than 45% of the companies surveyed report competitive pressures relating to issues such as biodiversity and water management.

In relation to the following issues, to what extent do you believe your sector is exposed to international competitive pressures?



Depending on the sector, the transition affects the ability to compete internationally in different ways

More than 54% of companies recognize that the European approach to sustainability is having different effects on competitiveness across sectors.

30% view environmental and social standards as a temporary disadvantage that can be used to gain a long-term competitive advantage. However, 24% believe that the current regulatory framework only benefits certain sectors, causing irreparable damage to others.

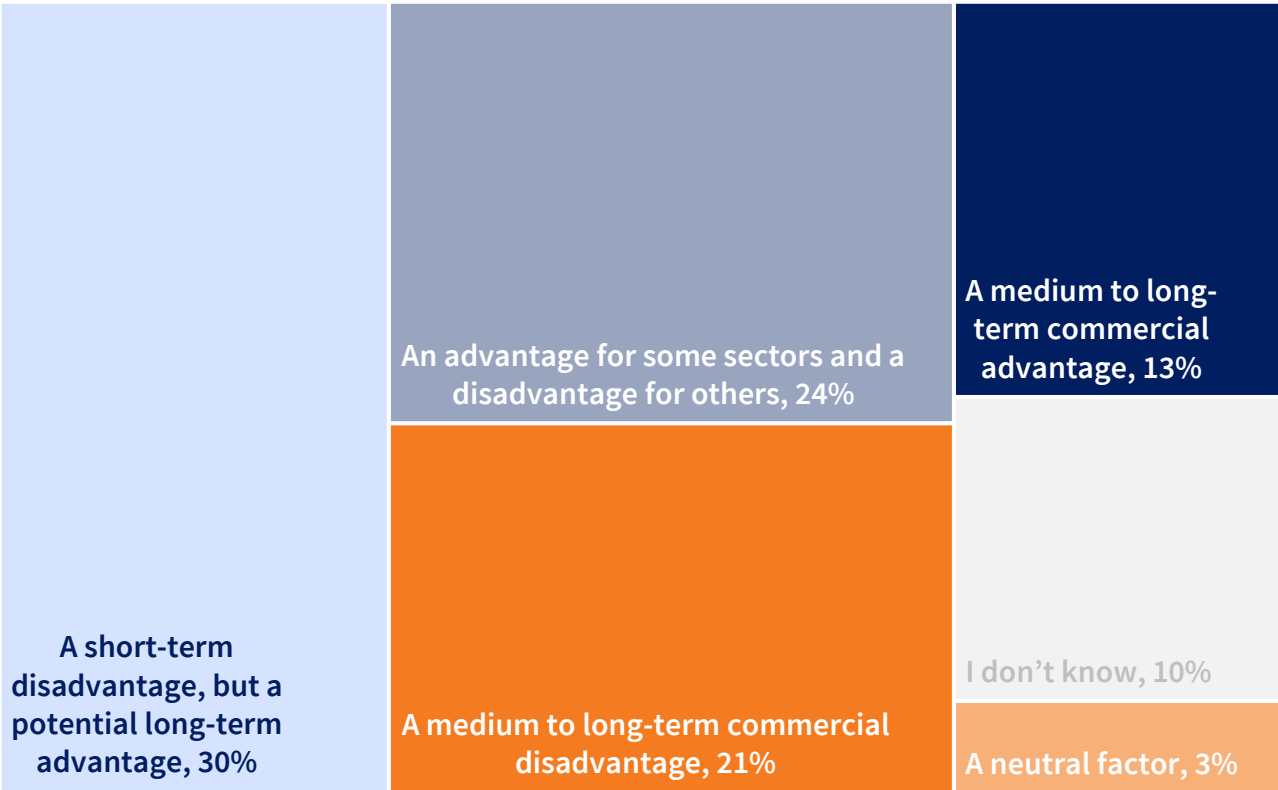
Companies in the electronic equipment manufacturing sector are more likely to view standards as a potential source of competitive disadvantage in both the short (10.8%) and long (9.8%) term. In contrast, companies in the non-electronic goods sector recognize the greater benefits (7.8%).

THE LEADERS' ROUNDTABLE PERSPECTIVE



Sustainability can be a key factor in determining the global positioning of European companies. The real issue is no longer whether to invest in the transition, but rather how to compete in an increasingly polarized global landscape. Against the backdrop of the realignment of the US and China's industrial acceleration, sustainable innovation has become a competitive priority for European companies.

“In a competitive comparison with the US and China, the current level of environmental and social standards in the EU represents...”



Although each sector identifies its own specific priorities for the near future, cross-cutting issues are emerging

Investments in energy efficiency and the circular economy are set to remain central in the coming years.

Specifically, maintaining commitments to renewable energy supply is the priority in 6 out of 8 sectors. This is partly due to the recent energy crisis, which has made companies recognize this area's importance for competitiveness and industrial capacity.



THE LEADERS' ROUNDTABLE PERSPECTIVE

Unlike energy and digital technologies, the implementation of other sustainability measures generally involves higher initial costs and less immediate returns. Although technologies such as AI can generate visible short-term benefits, achieving circularity demands a substantial initial investment, a longer timeframe and a profound operational transformation.

“Which of the sustainability projects launched by your company do you consider to be strategic in maintaining or increasing your commitment over the next three years?”

Electronic product retail

1. Training and working conditions (33%)
2. Circular economy and waste management (25%)
3. Procurement of renewable energy (25%)

Non-electronic product retail

1. Procurement of renewable energy (32%)
2. Decarbonization and emissions reduction (16%)
3. Energy efficiency (16%)

Energy industry

1. Procurement of renewable energy (100%)
2. -
3. -

Healthcare

1. Procurement of renewable energy (60%)
2. Circular economy and waste management (20%)
3. Certifications (20%)

Chemical industry

1. Circular economy and waste management (50%)
2. Procurement of renewable energy (50%)
3. -

Electronics, electrical engineering & IoT industry

1. Procurement of renewable energy (27%)
2. Energy efficiency (23%)
3. Circular economy and waste management (14%)

Metalworking and equipment industry

1. Procurement of renewable energy (35%)
2. Energy efficiency (21%)
3. Circular economy and waste management (15%)

Fashion

1. Procurement of renewable energy (33%)
2. Circular economy and waste management (17%)
3. Sustainable procurement (17%)

2.3.

To promote the growth of supply chains, businesses need policies that encourage greater harmonization of regulations and ongoing incentives

In an age of predators, political laissez-faire is not an option for businesses, as domestic growth and protectionism are the priority

A total of 58% of businesses recognize that the primary goal of European industrial policy should be to bolster the domestic manufacturing sector by promoting industrial capacity, strategic autonomy and competitiveness.

No company believes that the regulatory framework should limit public intervention.

Instead, institutions are being called upon to play a more active role in supporting industrial development and the transition to sustainability.

Almost 1 in 5 businesses (19.6%) emphasizes the need for measures to safeguard European production systems, confirming the perception of an increasingly risky and 'zero-sum' context.

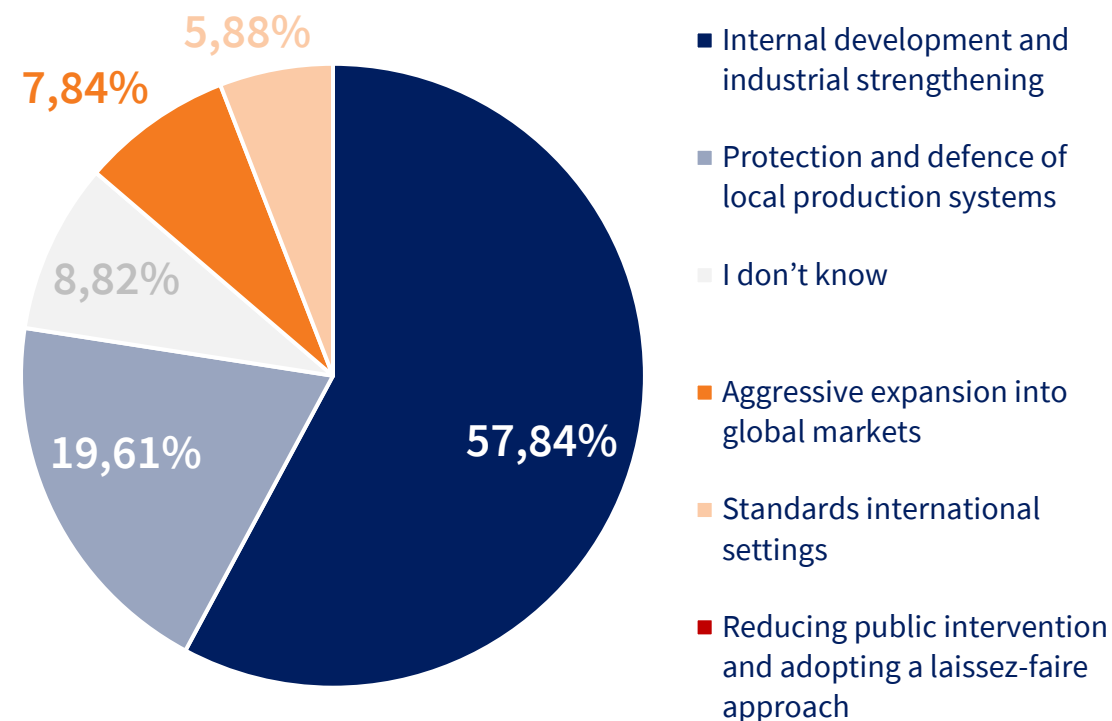
By contrast, there is still low demand for policies favouring aggressive expansion into global markets (8.8%) or the strengthening of international influence through standard-setting (5.9%).



LEADERS ROUNDTABLE'S PERSPECTIVE

Industrial competitiveness is not achieved through protectionism, but by creating stable conditions for transformation. Providing continuity of incentives and support for positive behaviour is more important than taking a mainly punitive regulatory approach.

“What should be the primary focus of the European Union's economic and industrial policy between 2026 and 2030?”



According to businesses, the policy should focus particularly on energy costs, streamlining regulatory procedures, and cleantech

The recent conflict between the US and Iran has once again emphasized the importance of addressing energy costs to protect the competitiveness of EU industry.

Businesses also consider the government’s commitment to streamlining regulatory processes and developing clean technologies to be of the utmost importance.

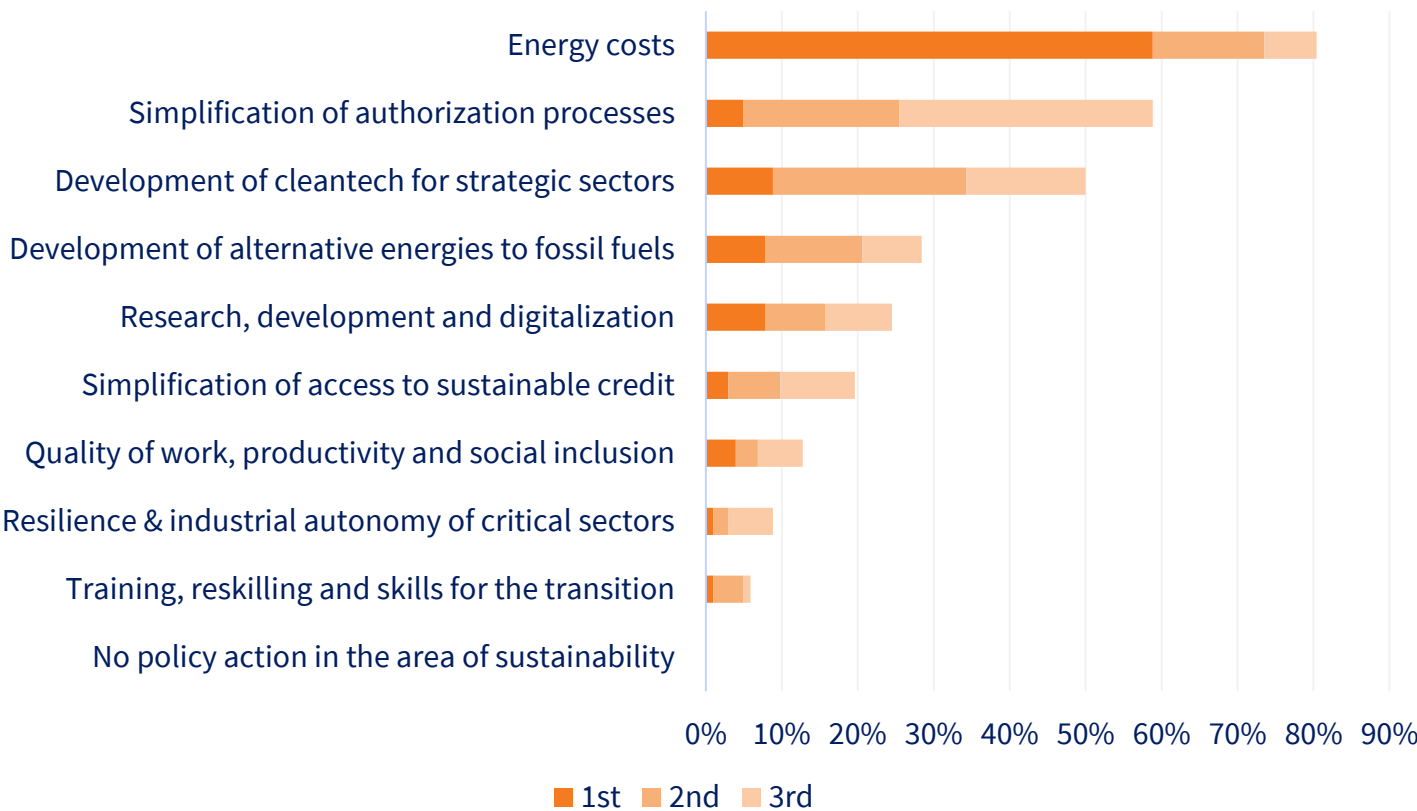
The business community is more divided on issues such as the development of alternative energies, digitalization, and access to credit. However, there appears to be broad agreement on the top three priorities across the various sectors represented. This fragmentation is partly due to the characteristics of individual sectors.

THE LEADERS' ROUNDTABLE PERSPECTIVE

Priorities that cannot be postponed include energy, industrial development and employment across supply chains. To accelerate investment, technological development, and the competitive capacity of the industrial system, costs must be reduced and authorization procedures simplified.



Rank the following areas in order of priority for policy interventions aimed at enhancing national competitiveness



Although incentives are an effective regulatory tool for addressing most issues, they require continuity

In most of the analysed areas, businesses consider economic and fiscal incentives to be the most effective policy lever, particularly for supporting sustainable technological innovation (63.7%), developing skills (51%), decarbonization (50%) and providing access to capital (45.1%).

Direct public investment plays a complementary role, particularly in more capital-intensive contexts, such as sustainable technological innovation (23.5%).

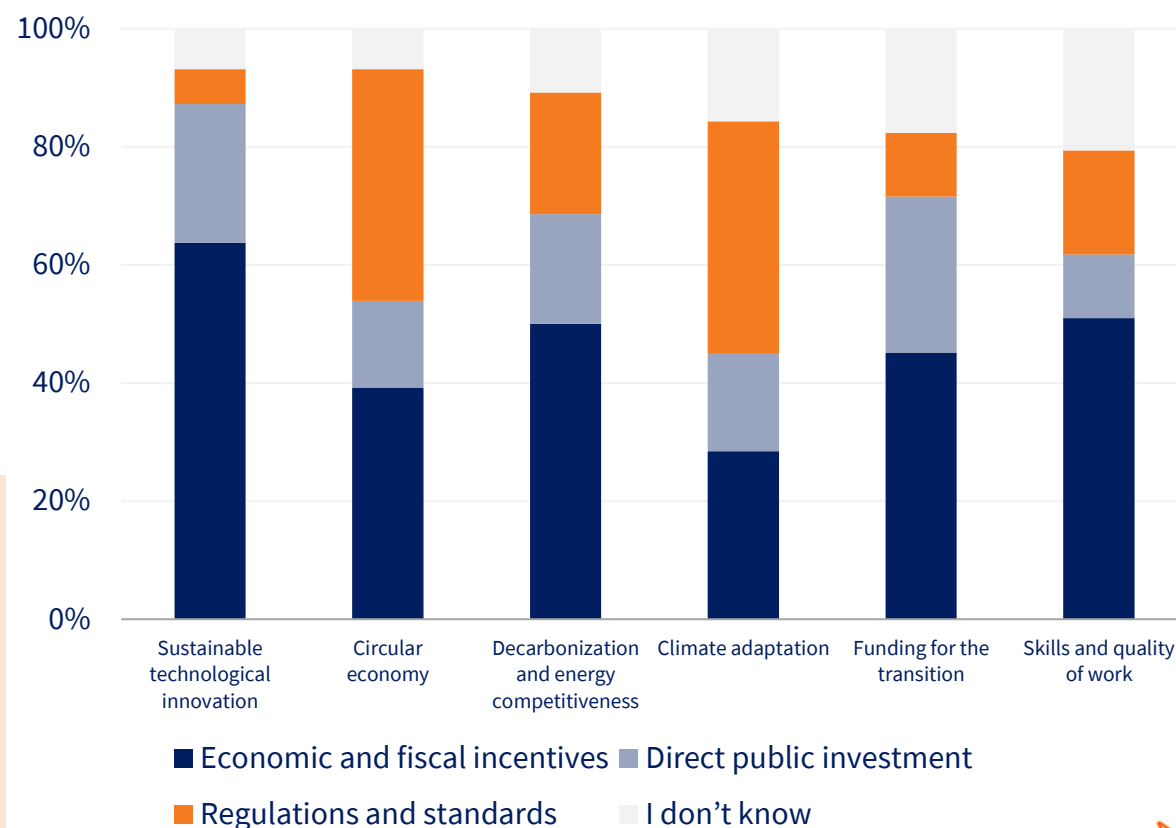
In contrast, companies are primarily looking for regulations and standards in areas such as Climate adaptation and the Circular economy, both of which were cited by 39.2% of respondents.

LEADERS ROUNDTABLE'S PERSPECTIVE



Incentives are now key to speeding up the transition. However, to be effective, they must be stable and accessible, and consistent with long-term objectives. In the early stages of the transition, incentives and financial support encourage businesses and supply chains to embrace change. However, in the later stages, clear rules, predictable trajectories and a regulatory framework that can guide investment without creating unnecessary complexity also become essential.

“Which policy lever do you consider most effective for each of the following areas?”



2.4.

Just under 51% of businesses and policymakers agree on the priorities of the transition. The gap lies less in the issues themselves than in the instruments chosen and, above all, in the complexity of the regulatory framework – particularly with regard to decarbonisation, climate adaptation, and the circular economy

STAGE Index: a roadmap to help policymakers and businesses align their priorities regarding the transition

The Sustainable Transition Alignment between Governments & Enterprises Index (STAGE Index) is an initial pilot project designed to measure the degree to which the priorities expressed by businesses align with the current policy direction regarding the future of the sustainable transition at European and national levels.

The index is based on the results of a business survey conducted in 2026 and a proprietary analysis of over 281 sustainability policies issued at European and national levels between 1991 and 2026. These policies currently constitute the existing regulatory framework on the subject.

Specifically, this tool categorizes three variables:

- the level of alignment between the thematic priorities to be pursued;
- the level of alignment on the policy levers to be used to promote the various aspects of the transition;
- the regulatory complexity that businesses currently face in the key dimensions of the transition.

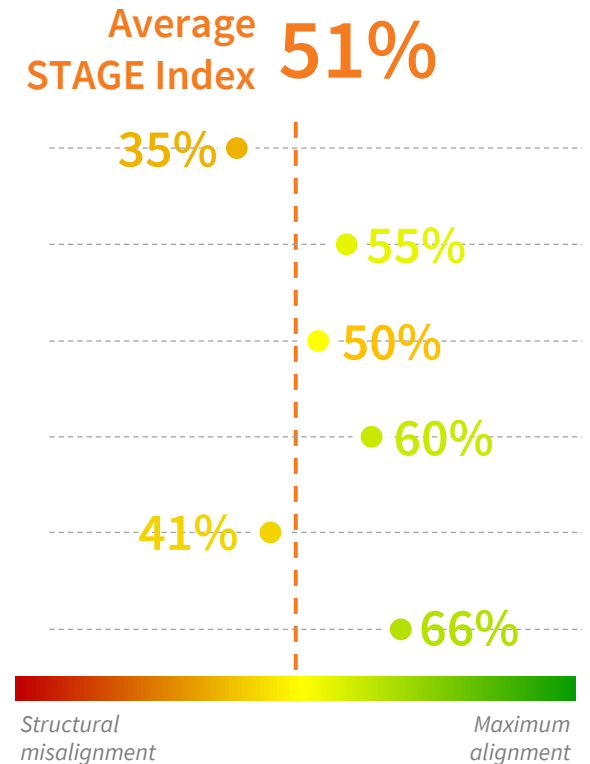
In its current form, the Index does not yet take into account public perception, despite this representing a key variable in the transition due to its influence on legislators.

STAGE Index

The extent to which policy and business priorities align in terms of the future of the European sustainable transition

Ranking is based on the importance of business leaders according to the level of competitive pressure on businesses

1. Industrial decarbonization and energy competitiveness
2. Sustainable technological innovation
3. Circular economy and raw material security
4. Access to capital and financing for the transition
5. Climate adaptation and supply chain resilience
6. Skills, reskilling and quality of work during the transition



STAGE Index: the divergences relate to the tools and clarity of the policies used to address the issues, rather than the issues themselves

The average level of convergence recorded (51%) masks significant disparities among the three considered variables. While there is high alignment (92.1%) between legislators and businesses on the priority issues to be addressed, there is less agreement (68%) on the most effective levers to tackle these issues. High regulatory complexity appears to negatively affect almost all key transition issues.

In areas such as Industrial decarbonization and Climate change adaptation, where there is a higher level of convergence on thematic priorities and policy levers, regulatory complexity appears to be the most significant obstacle. This variable is measured using a 0–1 scale that assesses the difficulty businesses face in keeping up with compliance in terms of:

- regulatory density (the greater the number of policies issued, the greater the requirements to be met);
- frequency of issuance (the more frequently new regulations emerge, the less predictable the issue becomes);
- adoption of non-prescriptive tools (the more decision-makers rely on standards, communications and guidelines, the more tools businesses have for orientation).

STAGE Index Components of the index: strengths and areas for improvement

Ranking is based on the importance of business leaders according to the level of competitive pressure on businesses	STAGE Index					
	Priority areas (% alignment)		Policy levers (% alignment)		Regulatory complexity (Index 0-1)	
1. Industrial decarbonization and energy competitiveness		92.6%		68.4%		0.44
2. Sustainable technological innovation		87.9%		59.4%		0.26
3. Circular economy and raw material security		83.9%		73.8%		0.37
4. Access to capital and financing for the transition		94.9%		62%		0.24
5. Climate adaptation and supply chain resilience		95.7%		79%		0.53
6. Skills, reskilling and quality of work during the transition		97.4%		63.1%		0.18

STAGE Index: over the past 35 years, 1 in 3 cases of regulatory action has focused on energy and decarbonization

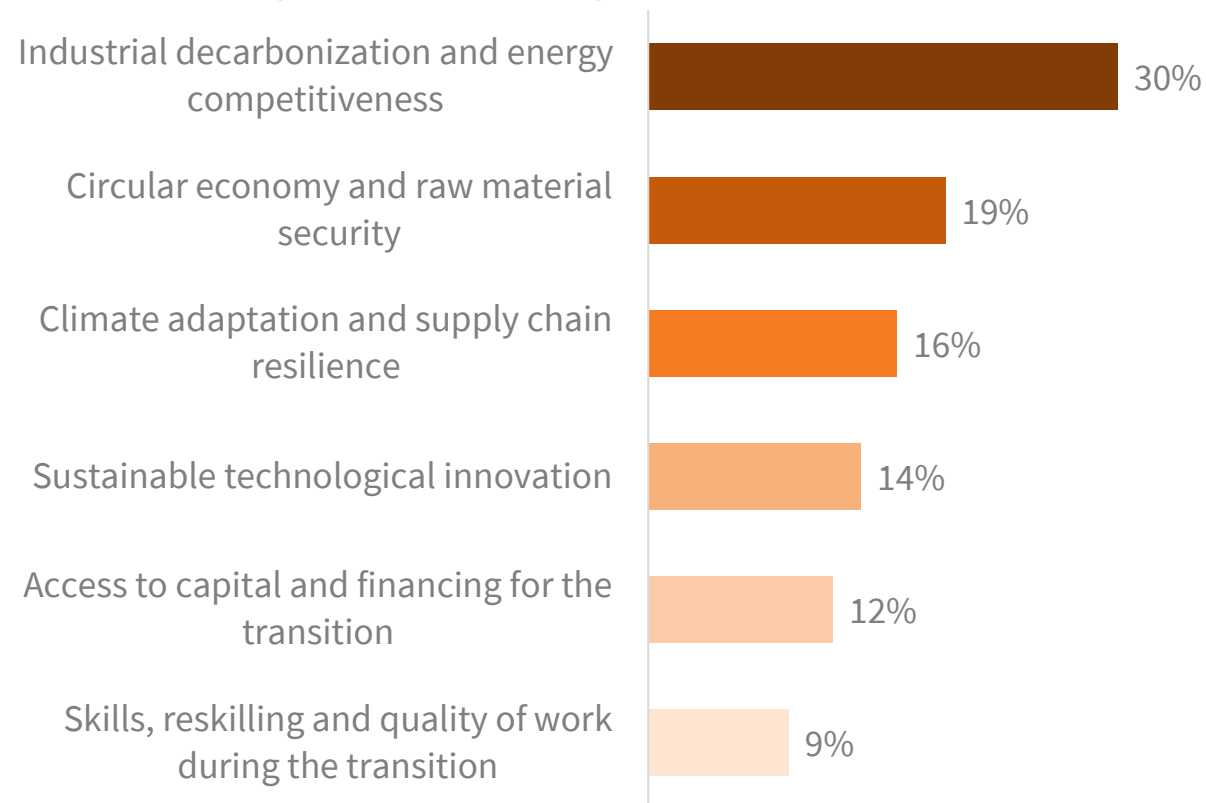
Over the last 35 years, regulatory output on the transition has developed with varying intensity across different thematic areas at both the European and national levels.

The greatest concentration of measures is observed in the areas of Industrial decarbonization and energy competitiveness (30%), followed by the Circular economy and raw material security (19%), Climate adaptation and supply chain resilience (16%), and Sustainable technological innovation (14%).

However, regulatory output is more limited in relation to Access to capital and finance for the transition (12%) and Skills, reskilling, and the quality of work during the transition (9%). These are also areas in which businesses have lower expectations towards the legislator.

Overall, a regulatory trajectory has emerged that prioritizes aspects directly linked to energy, decarbonisation and industrial capacity, while other factors enabling the sustainable transition remain relatively marginal.

Regulatory activity on sustainable transition issues in the EU and Italy (1991–2026)
(percentage of the total 281 regulations mapped in TEHA database)



STAGE Index: in 73.6% of cases, the legislator opted to introduce thematic rules and standards

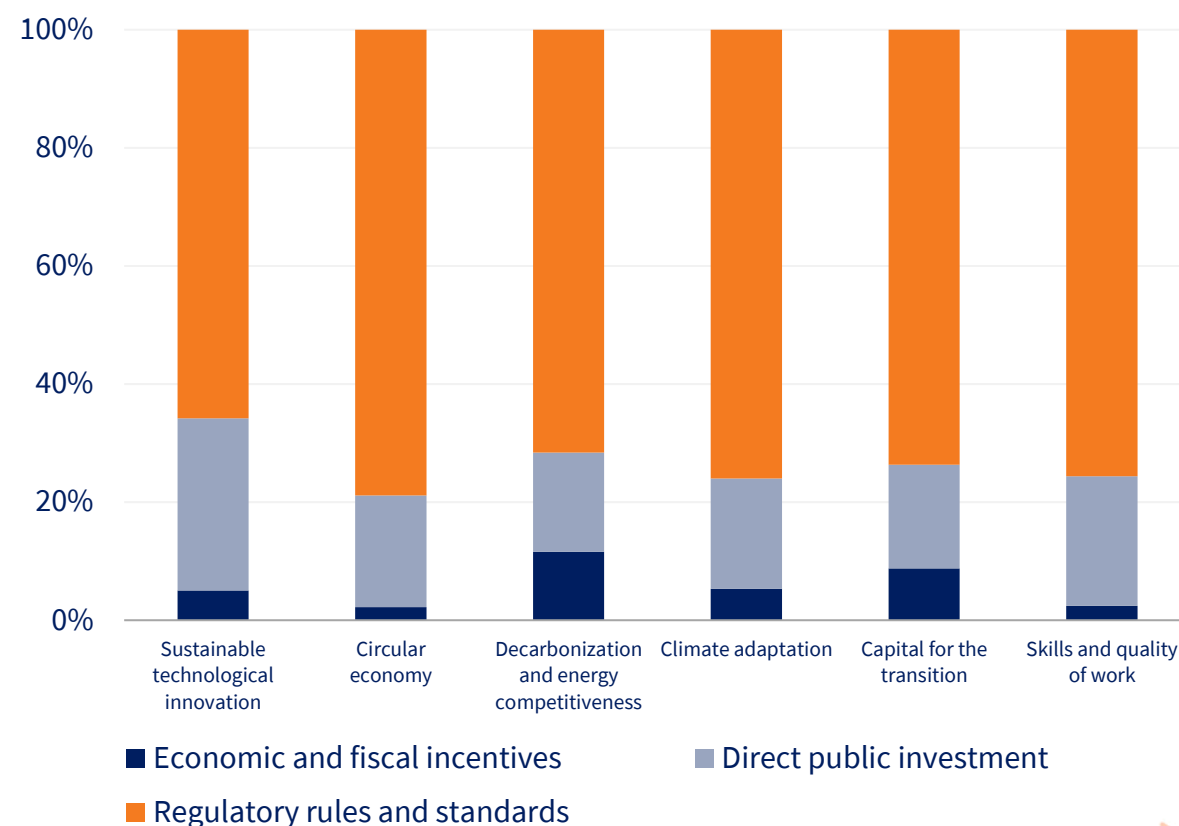
The most widely used policy lever over the last 35 years, and the one adopted most broadly across regulated areas, is the introduction of rules and standards, which account for 73.6% of the analysed regulations.

Although businesses recognize economic and fiscal incentives as the most effective policy lever for steering the transition, they have only been adopted in an average of 5.9% of cases. More structured use has only been seen in support of decarbonization and energy competitiveness (11.6%).

Of the three available levers, policymakers seem to align most closely with the business sector's expressed priorities when using direct public investment (20.5% vs. 22.8%).

Overall, the results suggest that policy effectiveness depends not only on quantity, but also on the ability to activate the most appropriate levers for businesses' needs and the characteristics of the various transition areas.

Regulatory activity on sustainable transition issues from 1991 to 2026, broken down by type of policy lever.



STAGE Index: 281 new rules in 35 years has made it difficult for companies to keep up with sustainability compliance

At EU level, regulators have been most active in the areas of **Climate adaptation, Decarbonization, and the Circular economy.**

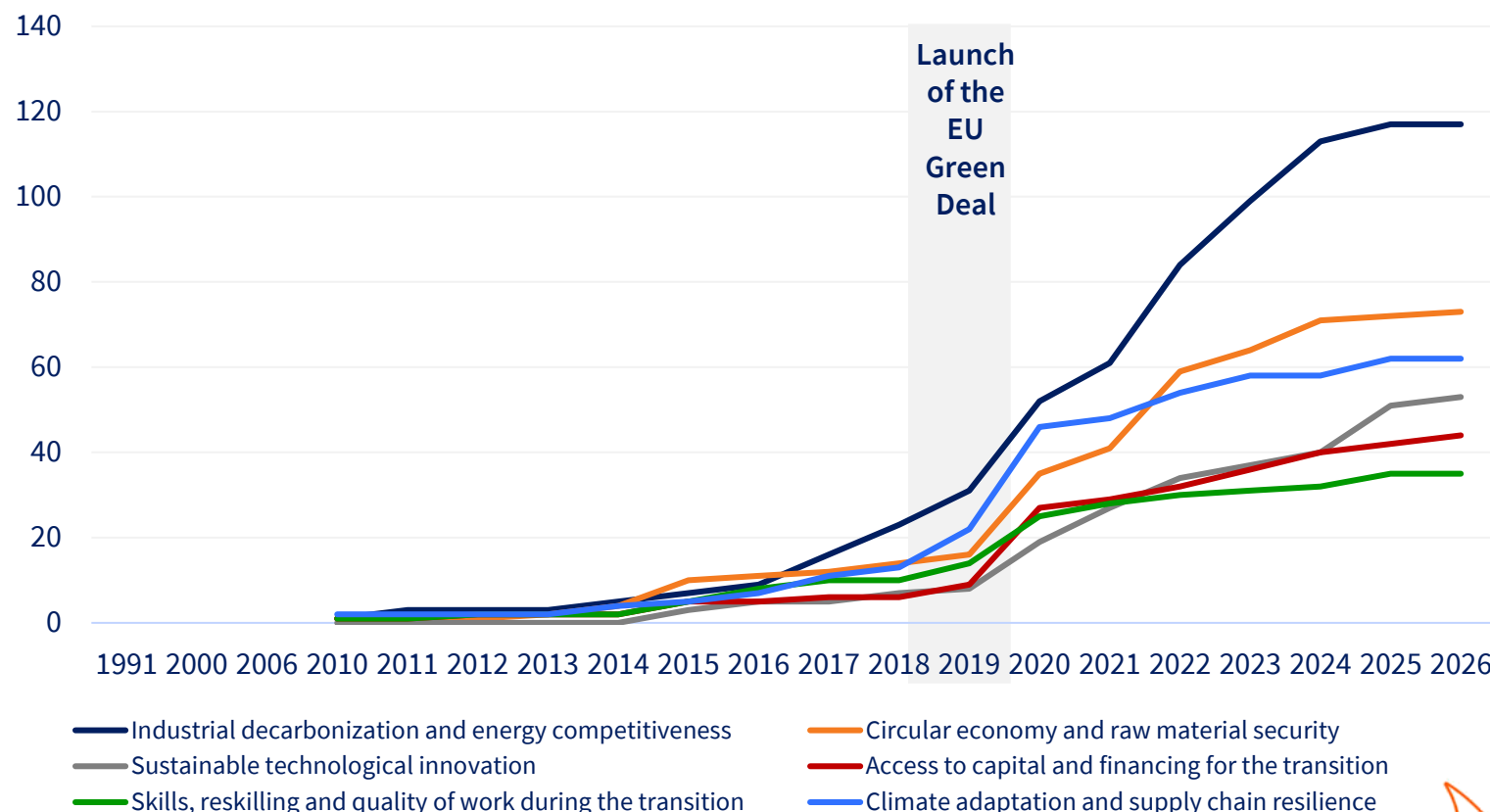
The average frequency of legislative output (i.e. the number of new rules introduced each year) appears to have increased the complexity faced by businesses. Although prescriptive tools are useful for guiding corporate strategies, they have not been sufficient to offset this complexity.



THE LEADERS' ROUNDTABLE PERSPECTIVE

Regulatory action is a key driver of economic and industrial transformation. When policymakers struggle to effectively address the needs of the production system, businesses are encouraged to play a more active role in public debate and in setting priorities. In order to develop effective policies, it is essential to define clear objectives and strengthen the mechanisms for structured dialogue between institutions and stakeholders.

Summary of current policies issued in the EU and Italy on key issues of the sustainable transition (1991–2026)



III. Proposals for a Competitive Transition¹

Achieve long-term development goals without compromising short-term profitability through innovation and the people who make it possible¹.

Towards a new paradigm: the Competitive Transition

The crux of the transition is not about deciding whether to move forward or turn back. Rather, it is about identifying the priorities on which to base the future competitiveness of the EU's production system.

In the face of geopolitical fragmentation, competitive pressure, and constant regulatory uncertainty, we must reconsider our approach to transition. This must start with the non-negotiable areas if we are to continue competing, innovating, and generating value.

The issue is not one of conflict between politics and industry, but rather how to align public policy with industrial priorities. Without dialogue, collaboration and shared vision, businesses and decision-makers risk pursuing different agendas, which reduces the effectiveness of industrial policies and private investment.

How should we respond? The answer lies in pragmatically finding the 'right pace', prioritizing innovation, and helping to redefine the rules.

These are the principles that guide a new approach to sustainable transition, one that goes beyond compliance, tactics and ethics. For TEHA, 'Competitive Transition'¹ means prioritizing environmentally friendly solutions that allow long-term environmental goals to be pursued while ensuring short-term profitability through innovation. From a social perspective, it means focusing on meeting the legitimate expectations of stakeholders to build the consensus necessary for long-term company success.

"Approaching the transition from a competitive perspective is a choice. It is a commitment that requires us to focus on innovation and on the people who make it possible."

Carlo Cici

Partner &
Head of Sustainability Practice,
TEHA Group



In an unsustainable development model, nobody can thrive

Since February 2025, the very concept of ‘transition’ is being called into question. The audacity of predators, political leaders and tech giants is undermining the legitimacy of institutions – particularly multilateral ones – and the system of rules on which our societies are based. This is happening at a staggering pace, prompting policymakers to shift their focus towards geopolitical, security-related and strategic autonomy issues. This includes institutions and sustainability regulations.

The debate on the sustainable transition has focused on what businesses would like to ‘cut’. However, a pragmatic approach requires us to consider what they are not willing to lose, as this is where the future of Europe’s sustainable and circular competitiveness lies.

Although the need for action is increasingly urgent, companies are being asked to make decisions and plan investments in an environment that is more uncertain and unpredictable than ever before, particularly in Europe. Neither institutions nor companies will be able to reverse the trend alone and safeguard the social and environmental foundations on which they both depend without profound structural changes. However, it must be remembered that:

- 1. Markets and pricing systems do not reward sustainability.** Although consumers are not willing to pay a higher price, they regard sustainability as a ‘hygiene factor’ and tend to favour more sustainable products when all other factors are equal.
- 2. Change does not happen by decree, and regulation alone cannot accelerate the transition.** In fact, it could encourage companies to take a ‘declarative’ approach to sustainability, prioritizing disclosure over performance improvement.
- 3. The costs of the transition cannot be assessed in isolation.** Instead, the costs of taking action should be weighed against the long-term costs of inaction, the management of which will become increasingly challenging in the context of climate change.

THE LEADERS’ ROUNDTABLE PERSPECTIVE



Nowadays, companies can provide decision-makers with the technical expertise that is often lacking in government departments. Technical working groups, such as those formed around the topic of EPR, demonstrate this. This is essential for developing genuinely enforceable rules.

Non-negotiable priorities

Proposals for a Competitive Transition

For institutions

For companies

Incentivize the virtuous and sustain the ‘laggards’.

- I. Develop clear and long-term incentive schemes to encourage businesses, banks and consumers to act sustainably, while reducing reliance on penalties.

Intervene frequently on a few key issues.

- III. Focus on a limited number of action areas where technology can improve sustainability performance and profitability at low initial cost.

Support innovation.

- II. Accelerate the development of new, competitive solutions in strategic areas by allocating resources to establish a unified capital market and simplify access to finance.

Make expertise available to institutions and citizens.

- IV. It is crucial to promote the development of practical and effective solutions in terms of legislation and across relevant supply chains.

V. Join forces to compete.

When competing in international markets and seeking the strength to invest and generate impact, scale matters. Creating groups of companies and collective systems based on the principle of EPR can help to consolidate a competitive advantage.

VI. Make your voice heard! Listen to others’ voices.

Taking practical action is paramount. Increasing the level of strategic alignment between institutional decision-makers and businesses is fundamental to the EU’s sustainable and competitive development. To defuse the consensus crisis, we need credible and authoritative tools and stakeholders, as well as listening and dialogue mechanisms to help us identify priorities.

Methodological note (1/2): the survey sample

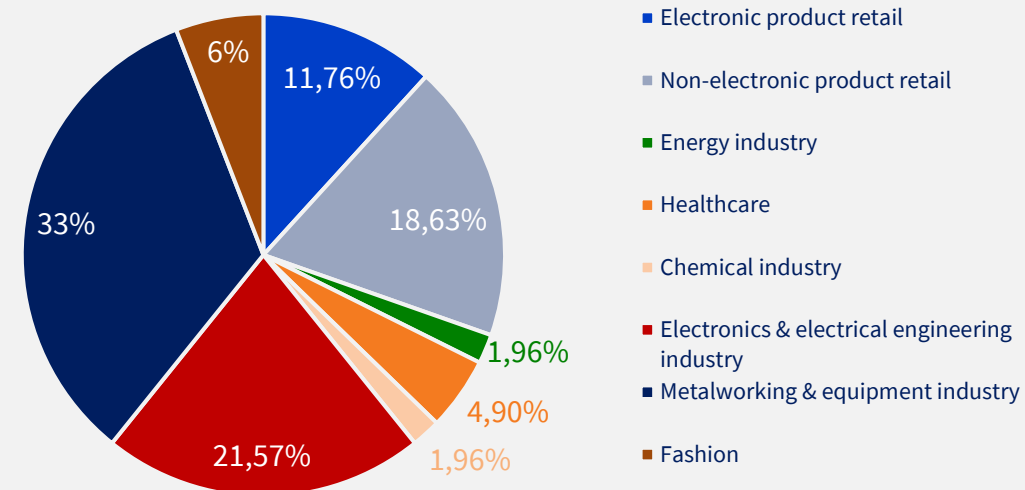
- **Survey response period:** (06/03 – 20/04)
- **Methods:** online survey via questionnaire
- **Sample size:** 108 respondents

Respondents' profiles and corporate roles

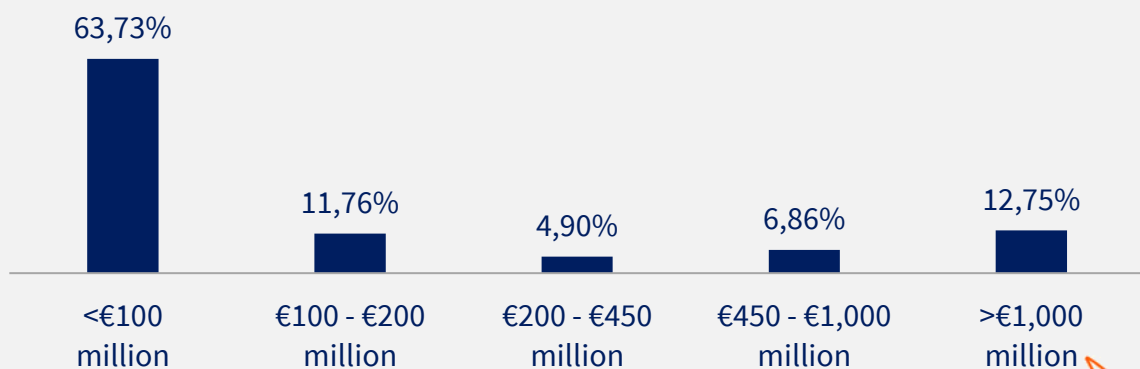
- **25.5% in executive roles**
- **24.5% in roles related to sustainability/HSE**



Macro-sector to which the companies belong



Distribution of the sample by revenue bracket



Methodological note (2/2): STAGE Index

A composite alignment index has been developed to assess the degree of alignment between public policy and the needs of the productive system in a concise and easily identifiable manner. The index incorporates three key factors that determine the effectiveness of policies in terms of competitiveness.

The methodological approach is based on the key premise that the effectiveness of policies in supporting businesses does not depend solely on the intensity or number of interventions, but rather on how well they align with real priorities, how coherent the instruments used are, and how stable the regulatory environment in which these interventions take place is.

The STAGE Index formula

$$[(1 - \Delta \text{ thematic priorities}) + (1 - \Delta \text{ policy lever priorities})]/2] * \text{Regulatory complexity index}$$

The Index combines three variables:

- **Δ thematic priorities (percentage)** measure the gap between the areas on which public action focuses and those that businesses identify as priorities for improving their competitiveness. It assesses whether policies effectively direct resources and attention towards the areas perceived as most critical by the business community.
- **Δ policy lever priorities (percentage)** measure the gap between the instruments actually implemented by the legislator and those considered by businesses to be the most effective in addressing the various challenges. Even where priorities are correctly identified, adopting inappropriate levers can significantly reduce their effectiveness.
- **The level of complexity of the policy framework (Index 0–1)** is understood as the degree of instability and unpredictability of policies over time. This factor takes into account, in equal measure, the number of legislative interventions in a given area, the frequency of regulatory updates and the use of non-prescriptive instruments, such as guidelines and standards, to inform the application of regulations. The three factors are integrated into a composite index using a multiplicative approach, which reflects their complementary nature. A high level of complexity reduces businesses' ability to plan medium- to long-term investments and strategies, which undermines the overall effectiveness of public policy.

A positive performance in one area cannot fully compensate for shortcomings in others. For policies to truly enable competitiveness, priorities must be consistent, instruments must be appropriate, and the regulatory framework must be clear.

The Index takes values between 0 and 100, representing a summary measure of the overall degree of alignment. Rather than providing an absolute measure, it is intended as a tool for interpretation and diagnosis. It is useful for identifying the nature and intensity of gaps between policies and business expectations, and for distinguishing between misalignments in priorities, critical issues in instrument design, and contextual factors linked to uncertainty. In this sense, the Index shifts the focus from analysing 'how much is being done' to analysing 'how relevant and effective what is being done actually is' for the productive system. This provides a useful basis of information for guiding the design and evolution of public policies in a more targeted manner.

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please contact the content manager

Carlo Cici,

Partner of The European – House Ambrosetti &
Head of Sustainability Practice,

at: carlo.cici@ambrosetti.eu

Knowledge partner:  **TEHA**

