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Europe should repeal the directive that is killing growth

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The EU is going through a period of profound change. For decades, its economy relied on cheap Russian energy and a strong Chinese consumer market, while the US covered the bulk of Europe's defence costs. Since 2022, that three-legged stool has collapsed.

To recover and reindustrialise, the EU must have access to secure, reliable and affordable energy. That access will materialise only if the EU succeeds in the ongoing effort to repeal or neuter its growth-killing Corporate Sustainability Due Diligence Directive (CS3D).

The evidence of the EU's economic decline is compelling. As recently as 2011, the bloc's nominal GDP was slightly above that of the US. For 2025, the IMF projects that it will be 18 per cent lower including the UK, and 31 per cent lower excluding it.

This is disappointing news for the US as well as the EU. A prosperous European ally will be a stronger trade and defence partner, capable of both defending itself and working with the US to address trouble spots across the globe. European economic growth would have transatlantic benefits.

Former Italian prime minister Mario Draghi has acknowledged that Europe has become economically uncompetitive and identified certain changes he believes Europe must address. These include slashing regulatory over-reach and accessing reliable and affordable energy. His 2024 report on competitiveness notes that, in Europe, "fossil fuels will continue to play a central role in energy pricing at least for the remainder of this decade".

If the EU is going to reindustrialise, while simultaneously participating in the rapidly emerging and energyintensive AI economy, it will need access to substantial supplies of reliable fossil fuels from dependable allies. To its credit, it is moving in this direction.

For example, the EU has been leveraging its access to liquefied natural gas, thereby diversifying its supply with a reliable energy source that is less susceptible to infrastructure attacks or blockades as it requires no pipelines for delivery to the gas grid. In the first half of 2025, EU LNG imports increased 20 per cent, compared with the first half of 2024. In the second quarter of 2025, the US accounted for more than half the value of all LNG imports into the EU, followed by Russia (13 per cent), Algeria and Qatar.

The EU's 19th package of Russian sanctions begins banning the imports of Russian LNG on January 1 2027. Both the US and like-minded partners and allies stand ready to fill that gap — unless the EU's regulatory regime prevents us from doing so. Which brings us to the CS3D. This gargantuan regulatory apparatus penetrates the complex direct and indirect supply chains of multinational companies, imposing net zero carbon emission goals on the myriad businesses within them, both inside and outside Europe. A failure to comply could result in significant financial penalties. As such, the risks associated with violating the CS3D are tremendous, while compliance is virtually impossible, particularly for complex international energy concerns. For the EU, this is economic suicide.

Under the CS3D, it will be virtually impossible for big energy companies to do large-scale business in Europe, let alone meet the EU's energy demands. Exxon Mobil is already reducing its EU workforce in anticipation. Qatar has notified the EU that it will halt supplies of LNG unless the CS3D is repealed or significantly watered down.

Thankfully, there is support within the EU for repealing the CS3D and allowing Europe's economy to flourish.

In May, German Chancellor Friedrich Merz and French President Emmanuel Macron publicly called for repeal. And in October, the CEOs of Siemens and Total Energies sent a letter to Macron and Merz urging that the directive be abolished. A spokesman for Total Energies stated that the letter reflected the view of 46 European companies.

Buoyed by this support, on November 13 the European parliament voted to remove the CS3D's mandated compliance with net zero goals. This was a positive step in the ongoing battle to revise — or, better yet, repeal — the CS3D.

As this process continues, EU political leaders have a choice. They can choose to leave their economy burdened by regulation and overdependent on expensive and unreliable energy. Or they can begin to revive Europe's entrepreneurial spirit by deregulating and accessing abundant reliable energy, allowing its businesses and citizens to thrive.

It would be in the best interests of both the EU and the US if they chose the second option.