

Tender Call: Impact assessment on the Cumulative Effects of EU Sustainability Legislation

1. Background:

The European Commission has recently introduced several legislative initiatives to enhance sustainability within the value chains of companies operating in the European Union. This study focuses on analysing the cumulative effects¹ of five selected sustainability initiatives:

1. Regulation on Deforestation-free Products²
2. Directive on Corporate Sustainability Due Diligence³
3. Carbon Border Adjustment Mechanism⁴
4. Regulation on Prohibiting Products Made with Forced Labour on the Union Market⁵
5. Eco-design for Sustainable Products Regulation⁶

These legislative acts will require companies operating in the EU, including Finnish companies, to provide accurate information on their value chain actors, the sustainability and responsibility of their operations, and the origin of raw materials.

These measures will require resources for data collection, administration, and verification and sufficient expertise for implementation and compliance.

Based on a previous report by the Government, an estimated quarter of Finnish companies can fulfil their obligations with reasonable effort.⁷ Finnish companies are generally committed to e.g. respecting human rights, but at the practical level, systematic integration of human rights responsibility and its monitoring as part of their core activities is still at an early stage.

The Commission has prepared limited impact assessments for these legislative proposals, assuming for example that one corporate social responsibility management system would suffice for different obligations. However, this has not been confirmed, and the cumulative effects of multiple obligations stemming from the legislative acts mentioned above on companies in Finland and in third countries have not been assessed. There is a risk that companies operating in third countries will not invest enough in measures to continue operating as part of Finland's and the EU's value chains.

Finland, like the EU, is dependent on exports, and relies on the imports of raw materials and components from third countries. Without impact assessments and significant support measures, the introduction of legislative acts like the ones mentioned above could weaken Finland's competitiveness and geo-economic position, if value chain actors are unable or unwilling to meet sustainability obligations.

¹ Cumulative effects in this context refer to the combined effects of more than one EU sustainability legislative initiatives on an individual company.

² https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

³ <https://www.consilium.europa.eu/en/press/press-releases/2023/12/14/corporate-sustainability-due-diligence-council-and-parliament-strike-deal-to-protect-environment-and-human-rights/>

⁴ https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

⁵ <https://www.consilium.europa.eu/en/press/press-releases/2024/03/05/council-and-parliament-strike-a-deal-to-ban-products-made-with-forced-labour/>

⁶ https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/sustainable-products/ecodesign-sustainable-products-regulation_en

⁷ Tran-Nguyen, Elina et al. (Prime Minister's Office 2021): Finnish companies' state of human rights performance (SIHTI) project: Report on the state of human rights performance of Finnish companies, <http://urn.fi/URN:ISBN:978-952-383-065-3>.

At the same time, improving the sustainability and responsibility of the operations of EU companies and the products entering the EU market are valid policy targets. EU companies, including Finnish companies, also request a level playing field regarding the requirements imposed on them, vis-à-vis requirements imposed on third country companies.

Finland, like other member states and the Commission, funds various project activities in third countries aimed at improving local companies' capacity to participate in value chains. However, the size and funding of these projects in a few sectors, including coffee, cocoa, textiles, and clothing, is insufficient considering that future regulations will be binding on all sectors. The assessments include possible simultaneous application requirements for several or all obligations for a single company.

Objectives:

The primary objectives of this study are to answer the following research questions:

- What are the cumulative effects of EU sustainability legal initiatives on:
 - o Finnish companies (including SMEs)
 - o Companies outside the EU
- Would it be possible to fulfil, monitor, and verify obligations of the legislative acts mentioned above with one corporate social responsibility management system?
- How do the legislative acts mentioned above potentially affect trade between Finland and third countries?

It would be beneficial if the study is able to identify and recommend technical assistance needed by third-country traders, in the scope of previously mentioned legislation, to participate in Finland's value chains.

2. How the study will be used:

The findings of this study are expected to support the efforts of the Ministry for Foreign Affairs and other ministries in charge of these legislative initiatives to understand the overall picture of their impact on Finnish companies and their partners. The study also aims to generate consolidated information in order to alleviate the administrative burden on Finnish companies to investigate the impacts of these obligations and promote their trading conditions in the future. Finnish SMEs would be a particular target of the study.

3. Expected Outputs:

The study is expected to deliver:

- Impact assessment report on the cumulative effects of EU sustainability legislation (i.e. the legislative acts listed above) on Finnish companies and companies outside the EU.
- Recommendations for Finnish companies, policymakers, and stakeholders e.g. on how to best implement the legislative acts mentioned above and how the requirements on companies should be further developed.
- Insights into the feasibility of utilizing a unified responsibility management system.
- Suggestions for further research.

4. Methodology:

The study will involve:

- Analysing existing data and conducting interviews.
- Surveying Finnish companies to assess the versatility of responsibility management systems.
- Organizing strategic workshops for ministry officials to discuss preliminary findings

Important: The researchers are invited to suggest the study's level of detail and scope given the timeline and resources. The study should examine at least two economic sectors (minimum one of which in primary production) and two regions.

5. Report Specifics and publication:

The final report should be written in English and not exceed 40 pages. It should be concise and accessible to ministries and focus on findings. The report will be published on the official channels of the Ministry for Foreign Affairs of Finland.

6. Preferred Research Profiles:

Qualified research entities with expertise in sustainability, trade, and policy analysis are encouraged to apply. Previous experience in conducting similar studies and familiarity with EU legislation are advantageous.

7. Expected volume of work in terms of working days

60 days of expert work. Researchers are asked to estimate and propose the working time needed in their tender.

8. Steering group for the study:

The steering group of the study consists of the official responsible of the study at the Ministry, an official from the MFA's KEO-02 unit, UniPID, and a lead researcher or coordinator of the research team.

9. Budget:

The available funding for this study is €40,000.

10. Timeline:

Preferred timeline: August – December 2024

11. Background information:

https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en

https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

<https://www.consilium.europa.eu/en/press/press-releases/2024/01/26/forced-labour-council-adopts-position-to-ban-products-made-with-forced-labour-on-the-eu-market/>

https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/sustainable-products/ecodesign-sustainable-products-regulation_en

12. Tender instructions for researchers:

- [Tender notice for researchers – general guidelines](#). Please note that for this study the Ministry for Foreign Affairs will sign a contract with the parties conducting the study. **Please follow the template in the last page!**
- The tender shall be sent by email with its required attachments **in one single PDF document** to: unipid-info@helsinki.fi by 20 May 2004.
- **Inquiries:** Kaisa Kurki, e-mail: kaisa.e.kurki@helsinki.fi , phone: +358 50 4621 485

Note: The Ministry for Foreign Affairs of Finland reserves the right to reject any or all submissions and to modify the terms of this tender call as deemed necessary.