

# Application of the ‘One in, one out’ approach – and its impact on businesses

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The [original full study](#)<sup>1</sup> analyses the **implementation of the ‘one in, one out’ (OIOO) approach by the European Commission**. The OIOO approach is a regulatory offsetting mechanism and methodology that was introduced into the Commission’s policy making process in 2021 and documented in the amendments to the [Better Regulation Guidelines and Toolbox](#) (November 2021)<sup>2</sup>. Given the aims of the OIOO approach, the study also considers its anticipated impact on the EU regulatory burden and on the competitiveness of European businesses and especially SMEs.

## Background and context

The OIOO approach was announced via the [‘Better Regulation’ Communication](#) of 29 April 2021<sup>3</sup>, which set out the main principles and rationale underpinning the approach. This Communication was preceded by a [feasibility study](#)<sup>4</sup> for an EU-level OIOO regulatory mechanism – conducted on behalf of the German Ministry for Economic Affairs and Energy – that assessed key challenges facing the implementation of such a mechanism; challenges that had formerly led the Juncker Commission to discard the idea. These challenges were: (i) the increased burden on the Commission due to the need to devote increased resource to quantification and offsetting; (ii) the methodological challenges and limitations related to the increased focus on generating reliable quantitative data on costs; and (iii) the risk of under-regulation stemming from a potential imbalance between the focus on regulatory costs and benefits.

In this context, the Commission Communication recalled the overall positive outcomes generated by similar mechanisms implemented in the Member States and noted that, while tailored to the specificities of regulating at the EU level, the EU OIOO approach had been developed based on national-level good practice. Through this, the Commission argued that the OIOO mechanism had the practical advantage of drawing the attention of EU policymakers to the impact and costs of applying legislation which have SMEs within their scope.

On this basis, the methodology for the OIOO approach was formally introduced via the updated Better Regulation Guidelines and Toolbox, published in November 2021. Specifically, the methodology considered four main elements: (i) the scope of the approach; (ii) the nature of the cost calculations; (iii) the application of the approach (including the approach to offsetting costs and reporting); and (iv) relevant references and supporting material, notably outputs produced by the OECD<sup>5</sup> and the ‘internal’ Commission OIOO online calculator.

The Commission began applying the OIOO approach to initiatives listed in the 2022 Commission Work Programme.

## Key findings

Overall, this study found that the **OIOO approach, as a regulatory offsetting mechanism, is highly relevant to address the issue of the EU regulatory burden**. While there has been a clear commitment from the Commission to ensuring the OIOO approach is applied effectively, there remains scope for the Commission to increase the transparency of its methodology. Indeed, while the OIOO approach has been systematically integrated within the European Commission’s impact assessment process – primarily, by being considered in impact assessment reports and in decisions made by the Regulatory Scrutiny Board – there is a need to increase the transparency regarding the methodology used to assess the overall outputs of the OIOO approach.



The data presented in the **Annual Burden Survey 2022<sup>6</sup>** indicates that the anticipated cost savings generated by the legislative proposals examined were largely able to offset the anticipated regulatory costs introduced, thus leading to a net (expected) decrease in the EU regulatory burden in the first year of implementation (2022).

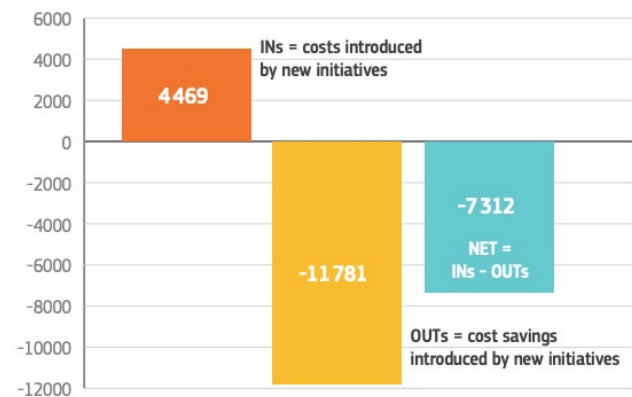
However, the Commission's analysis should be interpreted with caution in light of important methodological challenges. For instance, beyond common limitations associated with the EU Standard Cost Model (such as the difficulty in determining accurate cost estimates), the aggregation of cost estimates across impact assessments is a difficult exercise particularly where estimates are expressed in ranges and/or where no preferred policy option has been selected and retained. Moreover, the lack of clarity regarding certain elements of the Commission's methodology, notably linked to cost and cost savings data generated via the OIOO calculator, makes any definitive assessment of its application difficult at this stage.

In terms of impact, it is too early in the OIOO approach's implementation to provide a definitive assessment of its impact on the regulatory burden and thus on the competitiveness of businesses and SMEs.

The perception of businesses consulted for this study suggest that there has been a net increase (or expected increase in the short-term) of the EU regulatory burden in recent years. This is primarily due to the recent adoption of important pieces of EU legislation, while there is a general sense that the policy goals linked to the Green Transition will further fuel the existing burden. In addition, the important cost savings identified in the Annual Burden Survey 2022 – expected to amount to EUR 7.3 billion annually over the next ten years – will not emerge until after these proposals are adopted, enacted and, in the case of Directives, transposed. There are also potential barriers to the effectiveness of the regulatory approach that need to be considered, including gold plating, decreased effectiveness over time and costs created by co-legislator amendments. Despite these constraints and a general lack of awareness regarding the approach's existence, the introduction of the OIOO approach was received positively by consulted stakeholders.

Looking at the broader Better Regulation Agenda, it should be noted that the OIOO approach comes on the backdrop of broader efforts made by the Commission to simplify EU legislation and remove unnecessary burdens on European undertakings and SMEs. This includes important initiatives that preceded the implementation of the OIOO approach, including REFIT, the Think Small First principle, and the SME test. These initiatives were found to be complementary to the OIOO approach and, as the OECD has noted, regulatory offsetting mechanisms function best when they are implemented alongside other regulatory best practices. As such, it would be important for future assessments of the OIOO approach to consider its coherence with the broader Better Regulation Agenda.

Administrative costs / cost savings of Commission proposals in 2022 (EUR million)



Source: Annual Burden Survey 2022

- <sup>1</sup> Eager J., Nacer E., Douvillé L., 2024, *Application of the 'One in, one out' approach – and its impact on businesses*, publication for the Committee on Industry, Research and Energy, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754202/IPOL\\_STU\(2024\)754202\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754202/IPOL_STU(2024)754202_EN.pdf).
- <sup>2</sup> European Commission, 2021, *Better regulation: guidelines and toolbox*. Available at: [https://commission.europa.eu/law/law-making-process/planning-and-proposing-law/better-regulation/better-regulation-guidelines-and-toolbox\\_en](https://commission.europa.eu/law/law-making-process/planning-and-proposing-law/better-regulation/better-regulation-guidelines-and-toolbox_en).
- <sup>3</sup> Communication from the Commission on 'Better regulation: Joining forces to make better laws' (COM(2021)219). Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0219>.
- <sup>4</sup> CEPS, 2019, *Feasibility Study: Introducing 'One-In-One-Out' in the European Commission*. Available at: <https://www.ceps.eu/ceps-publications/feasibility-study-introducing-one-in-one-out-in-the-european-commission/>.
- <sup>5</sup> See: OECD, 2019, *One-In, X-Out: Regulatory offsetting in selected OECD countries*. Available at: [https://www.oecd-ilibrary.org/governance/one-in-x-out-regulatory-offsetting-in-selected-oecd-countries\\_67d71764-en](https://www.oecd-ilibrary.org/governance/one-in-x-out-regulatory-offsetting-in-selected-oecd-countries_67d71764-en); and OECD, 2014, *OECD Regulatory Compliance Cost Assessment Guidance*. Available at: [https://www.oecd-ilibrary.org/governance/oecd-regulatory-compliance-cost-assessment-guidance\\_9789264209657-en](https://www.oecd-ilibrary.org/governance/oecd-regulatory-compliance-cost-assessment-guidance_9789264209657-en).
- <sup>6</sup> European Commission, 2023, *Annual Burden Survey 2022*. Available at: [https://commission.europa.eu/system/files/2023-09/ABS\\_20230912\\_0.pdf](https://commission.europa.eu/system/files/2023-09/ABS_20230912_0.pdf).

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Administrator responsible: Corinne CORDINA; Editorial assistant: Marleen LEMMENS

Contact: [Poldep-Economy-Science@ep.europa.eu](mailto:Poldep-Economy-Science@ep.europa.eu)

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