

INCEPTION IMPACT ASSESSMENT			
TITLE OF THE INITIATIVE	Proposal on contract rules for online purchase of digital content and tangible goods		
LEAD DG – RESPONSIBLE UNIT – AP NUMBER	DG JUST – A 2	DATE OF ROADMAP	10/07/2015
LIKELY TYPE OF INITIATIVE	Directive/Regulation		
INDICATIVE PLANNING			
ADDITIONAL INFORMATION			
<p style="text-align: center;">This Inception Impact Assessment is provided for information purposes only and can be subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.</p>			

A. Context, Subsidiarity Check and Objectives	
Context	
<p>The Political Guidelines of President Juncker announced ambitious legislative steps towards a connected Digital Single Market, notably by “...modernising and simplifying consumer rules for online and digital purchases”. In its 2015 Work Programme the Commission decided to modify the proposal for a Common European Sales Law¹ in order to fully unleash the potential of e-commerce of the Digital Single Market.</p> <p>The Digital Single Market Strategy² adopted by the Commission on 6 May 2015 announced for the end of 2015 a legislative proposal covering (i) harmonised rules for online purchases of digital content and (ii) key mandatory contract rights for domestic and cross-border online sales of tangible goods.</p> <p>As part of its 'Regulatory Fitness and Performance Programme' (REFIT), the Commission will also launch in 2015 a Fitness Check of the existing EU consumer legislation, focusing on the Consumer Sales and Guarantees Directive, the Unfair Contract Terms Directive and the Unfair Commercial Practices Directive. In the context of the fitness check, the Commission will in particular consider if there is a need to upgrade the existing consumer rules for offline transactions and will look into problems consumers might face in the modern economy.</p> <p>The two exercises will go hand-in-hand and the digital contracts proposal will be taken into account in the context of the broader fitness check. The aim is to create a coherent legal framework for both online and off-line transactions. Consumers and traders should be able to rely on the same rules when buying online and offline. This is particularly relevant given the increasing importance of omni-channel distribution schemes as well as the need to ensure rules which are simple to apply for market participants and lend themselves to efficient enforcement. .</p>	
Issue	
<p>The Digital Single Market Strategy intends to deal with all major obstacles to the development of cross-border e-commerce in the Digital Single Market (for example costs for delivery, costs caused by differences in copyright or taxation) in a holistic manner. Among these obstacles, the current initiative – as part of this holistic approach of the Digital Single Market Strategy - will specifically address contract law related obstacles to cross-border e-commerce. It will provide simple and modern rules for online transactions, i.e. purchases of digital content and tangible goods, while increasing consumers' trust and creating a business-friendly environment for traders selling abroad.</p> <p>Businesses may be deterred from cross-border online trade: With an average annual growth rate of 22%, online retail sales of goods surpassed EUR 200 billion in 2014, reaching a share of 7% of total retail in the EU³. However, a recent survey on e-commerce in the EU shows that only 3 in 10 retailers are confident selling online to consumers in other EU countries as well as in their own.⁴ 57% of EU companies would either start or</p>	

¹ In 2011 the Commission adopted the proposal for a Common European Sales Law, a self-standing common set of rules that consumers and businesses could choose for their cross-border transactions. While having received strong support from the European Parliament, the proposal did not find a majority in Council.

² COM(2015) 192 final of 6.5.2015

³ Duch-Brown, N. and Martens, B., 'The European Digital Single Market', *JRC/IPTS Digital Economy Working Paper*, forthcoming 2015

⁴ Flash Eurobarometer (EB)396, "Retailers' attitudes towards cross-border trade and consumer protection" (2015), p.40

increase their online sales to other EU countries if the same rules for e-commerce were applied in all EU Member States.⁵

The existence of different mandatory national consumer contract law rules on defective products may discourage companies from cross-border trading. This is particularly relevant for the sales of tangible goods where Member States have used the possibility to go further than the Consumer Sales and Guarantees Directive and add requirements in favour of consumers. Online traders may choose the contract law of their own Member State when targeting their offer to a consumer in another Member State. However, the national mandatory consumer contract law rules in the consumer's Member State will still apply when those provide a higher level of consumer protection. This may create legal uncertainty and costs. Traders either adapt their contracts to the laws of the Member States that they target or (for those who do not adapt their contracts) may face an increased legal risk since these mandatory consumer protection laws of the other Member States may apply in case of dispute. Contract law related costs for businesses who examine the consumer law of Member States where they engage in business can thus amount to approximately EUR 9,000 per export country⁶. Focusing only on exporting businesses who actually examine the applicable foreign law in advance, the cumulative contract law-related costs incurred by companies active in cross-border consumer sales could be estimated at between €3.6 and €7.4 bn.⁷

In addition, the complex legal situation for digital content products (for example, music, video, games) leads to real or perceived uncertainty. Most national legal orders have no specific rules for digital content products and apply general contract law rules. They also characterise contracts for the supply of digital content products, for instance as service, lease or sales contracts. This results in different sets of remedies depending on how the contract would be qualified, some of them in the form of mandatory rules, others in the form of rules that can be derogated from by an agreement. This complex legal situation leads to real or perceived legal uncertainty which further discourages businesses from selling cross-border. Furthermore, specific and divergent mandatory national rules for digital content products are appearing. A number of Member States, i.e. the UK, the Netherlands and Ireland have enacted or started work to adopt specific legislation on digital content products. Such different specific national rules for digital content products could further increase the differences between national rules that businesses would have to consider when providing digital content products throughout the EU. Like for tangible goods, the differences between national mandatory provisions, be they of a general or a specific nature, will in addition to legal uncertainty also lead to additional costs.

Consumers are not confident when buying online cross-border: While 61% of EU consumers feel confident about purchasing online from a retailer located in their own country, only 38% feel confident about purchasing online from another EU country⁸. Stronger consumer confidence in cross-border shopping would boost the volume of cross-border transactions and increase consumer surplus through increased availability of a wide variety of products and lower prices. It would increase competition in domestic markets and result in more transparent and dynamic consumer markets. It is estimated that consumer welfare gains from e-commerce in an integrated Digital Single Market (including digital contracts) to which the current proposal will contribute, could reach over EUR 200 billion, with two thirds of these gains coming from increased online choice⁹.

Consumers do not always know their rights when buying online from another Member State and they fear a lower level of consumer protection. These concerns about buying online from another EU Member State are shared by respectively 11% and 8% of online respondents.¹⁰ According to a recent consumer survey almost half of the top 12 main concerns of EU consumers about online cross-border shopping reflect this uncertainty (for example the difficulty to solve problems cross-border (23%), to get a faulty product replaced or repaired (20%), to return products and get reimbursement (20%) or concerns with products not being delivered at all (15%) or with wrong or damaged products (15%).

In addition, the complex legal situation for digital content products may also not guarantee to consumers rights when the digital content product is defective. As digital content products are usually sold to consumers as off-the-shelf products on the basis of non-negotiable contracts and there are often no mandatory consumer protection rules, consumers can often be faced in practice with unbalanced contracts. This increases consumers' detriment and reduces their trust.

The proposal aims at establishing simple and modern rules for the online purchase and sale of digital content products and tangible goods within the Digital Single Market, for both businesses and consumers. It would lead to better deals for consumers and substantially lower costs for businesses. It would also enhance the position of European SMEs in the Digital Single Market by substantially increasing legal certainty and decreasing costs

⁵Flash Eurobarometer 413 "Companies engaged in online activities" (2015), p.53

⁶See SEC(2011) 1165 final of 11.10.2011.

⁷ SEC(2011) 1165 final of 11.10.2011, p.14.

⁸Flash Eurobarometer 397 "Consumer attitudes towards cross-border trade and consumer protection" (2015), p. 28

⁹Under the assumption that e-commerce would grow to 15% of the total retail sector: Civic consulting for the European commission, Consumer market study on the functioning of e-commerce and internet marketing and selling techniques in the retails of goods - 2011.

¹⁰European Commission, Consumer survey identifying the main cross-border obstacles to the DSM and where they matter most, forthcoming 2015.

linked with gaps or uncertainties in the existing legal framework. In particular, it will create uniform rules for digital content products avoiding legal fragmentation. For both digital content products and tangible goods, it would build consumer trust in the Digital Single Market by offering a high level of consumer protection.

More businesses will be encouraged to sell online across borders and consumers will be more confident in making cross-border purchases. Without action at the EU level differences in contract law will remain. Moreover, uncoordinated action by Member States to regulate new market developments and address regulatory gaps would exacerbate the problems identified.

Subsidiarity check

The legal basis of this initiative will be article 114 TFEU.

The initiative will remove consumer contract law barriers in the online world and help to establish a genuine Digital Single Market for the benefit of both businesses and consumers. Member State on their own initiative would not be able to remove the barriers that exist between national legislations. An initiative at EU level would be able to achieve this.

Concerning more specifically digital content products, the initiative will provide consumers with specific rights in a coordinated manner. It will create legal certainty for businesses which want to sell their digital content products in other Member States. Each Member State individually would not be able when developing specific legislation on digital content products to ensure an overall coherence of its national legislation with other Member States legislations. An initiative at EU level would help to ensure development of specific consumer rights for digital content products in a coherent manner.

Given the heterogeneity of the online market for digital content products it would be difficult for the market to overcome the existing legal complexity. Contractual practice so far has not produced consumer rights with a sufficiently high level of consumer protection.

Concerning more specifically tangible goods, the initiative will provide consumers with uniform consumer contract law rights when buying tangible goods online. It will create legal certainty for businesses as they will not face anymore different rules resulting from the current possibility for Member States to go beyond the minimum requirements set out by the EU legislation. Each Member State individually would not be able to ensure an overall coherence of its national legislation with other Member States legislations. An initiative at EU level would help to ensure development of uniform consumer rights in a coherent manner.

Main policy objectives

The main objective of the initiative is to contribute to faster growth of the Digital Single Market. It will achieve this by eliminating contract law related barriers that hinder online cross-border trade for the benefit of both consumers and businesses. The initiative will increase consumer trust in the Digital Single Market by providing a high level of consumer protection and ensure more offers and better prices for consumers. At the same time it will create a friendly environment for businesses and contribute to increase the volume of cross-border trade.

More concretely, with regard to online sale of tangible goods the aim is to avoid the patchwork of differing key mandatory consumer contract rules between the Member States. As key mandatory consumer contract rights would be the same across the EU, businesses would be able to rely on their national laws while not having to consider the key mandatory contract rules of other Member States when selling online cross-border.

For digital content products, the aim is to set clear EU rules on quality and remedies complementing existing rules on pre-contractual information and right of withdrawal covered by the Consumer Rights Directive. Consumers should have concrete rights when they acquire digital content products but do not get what was promised. Businesses should be able to apply the same rules when they sell digital content products in the Digital Single Market.

B. Option Mapping

Baseline scenario – no EU policy change

Consumers will continue to benefit from the protection provided by the Unfair Contract Terms Directive and the Consumer Sales and Guarantees Directive, namely protection against the unfair contract terms control and the sales remedies, as far as the sale of tangible goods is concerned. Consumers will also benefit from the unfair contract terms control set by the Unfair Contract Terms Directive when buying digital content products. However, in the absence of EU legislation on conformity and remedies for digital content products, uncertainty

about the rules which apply to contracts for digital content products, in particular in cross-border transactions, will remain. Consumers will not always have effective rights when digital content products are defective.

Businesses would have to ensure compliance with the national mandatory consumer contract law rules which provide a higher level of consumer protection. This may cause costs for businesses willing to sell online cross-border. These mandatory rules are mainly derived from the implementation of the Consumer Sales Directive or the Unfair Contract Terms Directive. In addition, emerging specific national laws for digital content products would lead to different mandatory regulatory regimes across the EU. Some Member States (the UK and the Netherlands) have already adopted legislation in this area, while Ireland is preparing legislation.

Furthermore, enforcement of existing legislation is expected to be strengthened and redress improved thanks to the new Online Dispute Resolution/Alternative Dispute Resolution platform.

Alternative policy approaches

The approach put forward by the Digital Single Market Strategy is a fully harmonised targeted set of key mandatory rules. This approach will create at EU level uniform rules for online purchases of digital content products and further harmonise key mandatory EU contractual rights for domestic and cross-border online sales of tangible goods. These rules would apply in all Member States, making it easier for traders to offer their products cross-border. Businesses would save costs and have a stable and business-friendly legal environment when selling online to other Member States. As all key mandatory requirements would be the same, they would not be faced with substantially different key rules with a higher level of consumer protection which would deter them from selling in other Member States or lead them to sell to fewer Member States than they would want to. Consumers would benefit from a larger offer at competitive prices. While some additional national consumer rights may not be maintained in some Member States, this approach would ensure overall a high level of consumer protection. This approach would require an agreement on the key mandatory consumer rights for online transactions.

Alternatives would be:

- **A Directive would harmonise rules for the supply of digital content products** in order to ensure common mandatory rights for consumers all over the EU **and there would be no policy change for tangible goods.** This Directive could either be a minimum harmonisation Directive or a full harmonisation Directive. In case of a minimum harmonisation Directive, Member States would be able to maintain or introduce more consumer protective rules. In the cases foreseen by Art. 6 (2) of the Rome I Regulation, businesses would need to ensure compliance with different national mandatory consumer contract law rules where Member States have gone beyond this directive. In case of a full harmonisation Directive, the benefits for consumers and traders would be identical to those described under the approach put forward by the Digital Single Market Strategy, as far as digital content products are concerned. The situation for tangible goods would remain unchanged.
- In parallel to the harmonisation of the rules on digital content products, **the application of the trader's law** with the existing harmonisation **for tangible goods only** would enable traders to sell their products cross-border entirely on the basis of their own law, which has already partially been minimally harmonised by the EU consumer protection legislation. This option would require the amendment of the Rome I Regulation. As a result, European consumers would not benefit from the higher level of consumer protection that their own national law may provide on top of the trader's law. In addition, such a change would remove any protection offered by mandatory consumer contract rules in transactions with traders from third States because third State law, which does not necessarily meet the EU's minimum harmonisation standards, would apply.
- The Commission could encourage the development of a **voluntary stakeholders' model contract, combined with an EU Trustmark**, for both tangible goods and digital content products. Consumers and businesses, in particular SMEs, could use this model contract for their cross-border e-commerce transactions. Key consumer rights for the supply of digital content products could be incorporated in the voluntary model contract. The use of the model contract by the trader could be combined with a label ("trust mark") that would increase confidence in a high level of consumer protection.

Alternative policy instruments

Different instruments can be envisaged:

- A directive,
- A regulation,
- A communication for the model contract. Self-regulation or co-regulation could also be envisaged for

the model contract.

This approach could be supported by non-legislative flanking measures to enhance information/knowledge of different systems.

Alternative/differentiated scope

Scope of intervention:

The initiative will apply to digital content products (for example, movies, software, apps) and tangible goods (for example, shoes and electronic devices) purchased at distance, including mainly online. Among others, the following aspects are currently being examined and will be further assessed in the impact assessment:

- B2B contracts?
- All digital content products?
- Digital content products provided against another counter-performance than a price (for example, personal data)?

Options that take account of new technological developments

All options take into account technological developments, especially for digital content, setting up rules or contract terms which will be future proof.

Preliminary proportionality check

The approach chosen would not go beyond what is necessary for the achievement of the objectives. It will increase consumer trust in the Digital Single Market while creating a favourable environment for businesses. It will focus on further harmonising key mandatory consumer EU contractual rights which are essential in cross-border online transactions, and have been identified as barriers to trade by stakeholders and are necessary to build consumer trust when buying online abroad. Further harmonisation of key mandatory rules will lead to simple and modern rules that remove contract law barriers and create a level playing field for businesses while at the same time ensuring that consumers benefit from a high level of consumer protection all over the EU. It will be complementary to other EU legislation which remains fully applicable, such as the Consumer Rights Directive or the Rome I Regulation.

C. Data Collection and Better Regulation Instruments

Data collection

The initiative will build upon the following sources:

- An economic study on consumer digital content, including among others a wide consumer survey in 15 Member States on a sample of 1000 respondents per country, a consultation with national consumer organisations and 20-30 interviews per country with digital content suppliers (ongoing);
- A study on consumers' attitudes towards Terms and Conditions (T&Cs) (ongoing);
- Business and consumer surveys launched in late 2014 to assess the relative importance of the obstacles to the Digital Single Market:
 - The 2014 OECD Consumer policy guidance on intangible digital content products;
 - Work of the Expert Group on Cloud Computing Contracts (2014)¹¹;
 - A 2013 EP Study "Discrimination of consumers in the Digital Single Market";
 - A 2012 sweep on digital content and the follow up study on digital content products in the EU;
 - The 2011 "Consumer market study on the functioning of ecommerce and internet marketing and selling techniques in the retails of goods";
- The bi-annual Consumer Conditions Scoreboards - The Eurobarometer surveys that underpin the Consumer Conditions Scoreboard find a persistent confidence gap among the consumers buying goods or services online cross-border, vs. buying online domestically (in 2012, 59% were confident purchasing online domestically vs. only 35% cross-border; in 2014 – according to yet unpublished data – the gap persists: 61% vs. 38%). The surveys also find that businesses see different contract laws as one of the main obstacles to selling online to consumers in another EU country (in 2014, 39% of retailers who sell online saw differences in national contract law as an important obstacle to cross-border sales in other EU countries);
- A 2011 study on "Digital Content Services for Consumers: assessment of problems experienced by

¹¹ http://ec.europa.eu/justice/contract/cloud-computing/expert-group/index_en.htm

- consumers”;
- A 2011 "Analysis of the applicable legal frameworks and suggestions for the contours of a model system of consumer protection in relation to digital content contracts".

Consultation approach

A stakeholder consultation group composed of 22 EU-level organisations representing consumers as well as retailers (especially online and digital) and other businesses is meeting once a month from January 2015 until July 2015 to discuss the need and the content of the initiative.

Two/three workshops with Member States are being held. Besides an initial discussion on the structure of the future proposal, the first workshop of 5 June 2015 focused on digital content products. The second took place on 6 July 2015 and focused on the online sale of tangible goods.

A public consultation has been launched on 12 June 2015 and will run until the 3rd September 2015. The consultation is accessible at: http://ec.europa.eu/justice/newsroom/contract/opinion/150609_en.htm

Will an Implementation plan be established?

Yes No

D. Information on the Impact Assessment Process

The work on the Impact assessment has already started. An Inter-Service Steering Group (ISSG) has been created. The first meeting took place on 3 June 2015. The ISSG is chaired by the Secretariat General and involves the following Directorates General: Justice and Consumers (JUST), Internal Market, Industry, Entrepreneurship and SMEs (GROW), Communication networks, content and Technology (CNECT), Competition (COMP), Economic and Financial affairs (ECFIN), the Legal Service (SJ) and the Joint Research Centre (JRC).

E. Preliminary Assessment of Expected Impacts

Likely economic impacts

- A **fully harmonised targeted set of key rules** would reduce transaction costs for traders because it will create the same rules across the EU, making it easier for traders to market their products cross-border. Consumer trust would be enhanced as they would enjoy one set of rights in the EU and be able to access products from everywhere in the EU. This would create a win-win situation both for businesses and consumers. Indeed competition would increase, leading to better prices for consumers and to an overall increase of trade in the EU for businesses. This positive economic impact may be marginally counteracted at the beginning by the costs incurred for the implementation of the new legislation.
- A **harmonisation of the rules on digital content products only** would ensure common mandatory rights for consumers all over the EU when purchasing digital content. A *minimum harmonisation approach* on digital content products would create minimum rights for consumers in the EU and therefore increase consumer trust but would not reduce costs for traders. Traders would need to continue to comply with different national mandatory consumer and general contract law rules that provide a higher level of consumer protection when selling online in other Member States. A *full harmonisation approach* would have the same economic impact as the approach put forward by the Digital Single Market Strategy, as far as digital content products are concerned. In both cases (minimum and full harmonisation), the cross-border trade of digital content products would increase but this increase would be more limited in the case of a minimum harmonisation. There would be no impact on the cross-border trade of tangible goods.
- **The application of the trader's law** with existing harmonisation **for tangible goods** would enable traders to sell their products cross-border entirely on the basis of their own law and therefore entail lower adaption costs for businesses, which would increase cross-border offer. Consumers may to some extent benefit from increased choice and lower prices. However, this approach would require a modification of the Rome I Regulation. The impact on consumer trust is likely to be important as consumers may lose the protection which they currently enjoy under the national law of their home Member State, both when purchasing from traders within and outside the EU. Consumers will be submitted to different sets of rules depending on the trader's law that will apply. While the EU's minimum harmonisation rules would protect consumers to some extent in their relations with EU

traders, such minimum protection would not be available in relations with third State traders. This will have a likely negative impact on the overall level of consumer trust when purchasing online.

- **European model contracts** that businesses and consumers could use for their cross-border transactions could help businesses selling their products all over Europe. Consumer would benefit from a certain level of consumer protection and therefore be more confident when buying cross-border. This may lead to an increase of cross-border purchases. However, such an approach would not touch mandatory rules imposing on businesses selling across borders to comply with differing national rules that provide for a higher level of consumer protection than the model contract. In addition, there is no certainty whether these model contracts would be used. The impact on cross-border trade would be more limited than in the first option.

Likely social impacts

- **A fully harmonised targeted set of key rules** can contribute to an increase in the number of jobs due to the overall positive effect on the economy stemming from a rise in intra-EU trade. This positive impact on job creation may be somewhat counteracted in the beginning by the costs incurred for the implementation of the new legislation. To the extent that it would impact on the trade of digital content products only, the same impact can be expected in case of a full harmonisation of the rules on digital content products only.
- Consumers may to some extent benefit from increased choice and lower prices resulting from **the application of the trader's law** with existing harmonisation **for tangible goods**. While the impact on jobs may vary from one Member State to another, the overall impact on jobs should be positive.
- **European model contracts** and **minimum harmonisation** may have a more limited impact on job as contract law obstacles to cross-border trade would remain. Consumer trust would be improved but a certain level of complexity will remain and traders may still feel uncertain to engage in cross-border business.

Likely impact on consumer protection

- **A fully harmonised targeted set of key rules** would provide a high level of consumer protection and would improve consumer trust as consumers would have the same rights everywhere in the EU. While it could lead to a modification of more protective provisions in some Member States, overall it would ensure a high level of consumer protection. Consumers should also be able to benefit from more offers at better prices.
- **A harmonisation approach for digital products only** would create common standards for consumers. The level of consumer protection would possibly be slightly higher in some Member States in the event of a minimum harmonisation approach because Member States would be able to adopt more protective rules.
- In case of **the application of the trader's law** with existing harmonisation **for tangible goods**, consumer confidence may be affected, because consumers would be submitted to different rules depending on the trader law that will apply, including its consumer mandatory rules, and because consumers will have virtually no protection when purchasing online from third country traders. The trader's rules may potentially offer them a lower protection than in their own country.
- In case of **European model contracts**, consumers would still benefit from their national mandatory rules with a higher consumer protection standard when such rules exist.

Likely impacts on simplification and/or administrative burden

- None of the options would entail additional information obligations for businesses. There will be compliance costs (for businesses, public authorities, and lawyers) which will need to adapt to new legislation in case of full and minimum harmonisation. The risk of differences of legal regimes between distance and non-distance sales could for a transitional period lead to increased administrative burden for businesses. However, the ultimate aim is to create a coherent legal framework for both online and off-line transactions so that these increased costs should be avoided.
- **A fully harmonised targeted set of key rules** should lead to simplification and therefore cost reduction as the same rules would apply all over the EU. To the extent that it would impact digital content products only, the same impact can be expected in case of a full harmonisation of the rules on digital content.
- The **application of the trader's law** with existing harmonisation **for tangible goods** would lead to simplification for business in cross-border situation. This will not be the case for consumers who could be confronted with different foreign national law with protection standards potentially lower than their own.
- **European model contracts** may lead to some simplification but contract law barriers would remain. The simplification would also depend on the extent to which the model contract will be used.

Likely impacts on SMEs

- In the absence of EU action SMEs will remain reluctant to trade cross-border. SMEs would benefit from **targeted harmonised rules** as it would contribute to reduce the costs to sell cross-border, enabling them to access a wider market and therefore reach economies of scale. At the beginning, however, adapting to the new legislation would entail costs for SMEs. To the extent that it would impact on the trade of digital content products only, the same impact can be expected in case of a full harmonisation of the rules on digital content.
- With **minimum harmonisation of the rules on digital content**, SMEs would be confronted with 28 different national laws and are likely to continue to refrain from or restrict their selling cross-border.
- With **the application of the trader's law** with existing harmonisation **for tangible goods**, SMEs (whether from within or outside the EU) would be able to sell everywhere in the EU on the basis of their own contract law.
- **European model contracts** may facilitate cross-border transaction for SMEs and create a certain degree. Nonetheless, SMEs would still be confronted with 28 national regimes, insofar as mandatory consumer contract rules are concerned.

Likely impacts on competitiveness and innovation

- **A fully harmonised targeted set of key rules** would contribute to the Digital Single market and thus increase competition and lead to a decrease in prices. Higher competition would encourage businesses to be more innovative and improve the quality of their products. To the extent that it would impact digital content products only, the same impact can be expected in case of a full harmonisation of the rules on digital content.
- The impact of **minimum harmonisation** or **a European model contract** on competition would be more limited as differences in contract law would remain.
- The **application of the trader's law** with existing harmonisation **for tangible goods** will increase competition as businesses will be more inclined to sell cross border. Consumers may benefit from increased choice and lower prices. They may, however, remain reluctant to buy cross border as they will still be confronted with different sets of rules depending on the trader's law that will apply.

Likely environmental impacts

In the absence of EU action there will be no environmental impact. Any rise in intra-EU trade in tangible goods may lead to an increased use of means of transport for delivery which would imply an increase of CO2 emissions.