

## Northern Sparsely Populated Areas' (NSPA) input to the revision of the Better Regulation Guidelines

*The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost regions of Sweden (Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland), seven northernmost and eastern regions of Finland (Central Ostrobothnia, Kainuu, Lapland, North Karelia, Northern Ostrobothnia, Pohjois-Savo and South Savo) and North Norway (Finnmark, Troms and Nordland).*

### **Towards an improved Better Regulation framework**

The Northern Sparsely Populated Areas network (NSPA), welcomes this initiative, which aims to make the EU's Better Regulation framework more efficient and proportionate, and to support the development of simpler, more targeted EU legislation that delivers tangible benefits for citizens and businesses. For regions facing specific and structural challenges, such as the NSPA, it is essential that EU legislation proposed by the European Commission fully takes into account the diverse territorial realities across the Union. In line with Article 174 of the Treaty on the Functioning of the European Union, as well as the Swedish and Finnish accession treaties, which explicitly recognise the particular structural challenges of NSPA regions, EU policymaking needs to respect their special conditions.

The NSPA therefore calls for a stronger integration of regional and local perspectives throughout the EU policymaking process, particularly when designing support schemes and allocating EU funds. Decisions should be based on evidence that accurately reflects the diversity of territorial realities across the EU. This is essential not only for achieving better regulation, but also for strengthening citizens' trust in the EU by ensuring that policies are perceived as fair, evidence-based, and responsive to local needs.

### **The need for more comprehensive and territorially sensitive analyses**

Overreliance on aggregated and historical data can lead to inaccurate assumptions if not complemented by bottom-up, place-based analyses of regional development and competitiveness. While the EU produces many valuable reports to inform policymaking, these sometimes tend to rely predominantly on aggregated indicators, which limits their ability to capture intra-regional disparities, current conditions, and emerging challenges in regions such as the NSPA.

For remote and sparsely populated regions – characterised by vast territories, low population density, and a strong dependence on raw-material-based enterprises such as forestry and mining operations, – NUTS-2 level data can give a misleading impression of real conditions on the ground. Large industrial actors, energy production, and generally high welfare levels in Nordic countries tend to inflate aggregate indicators, while many local communities continue to experience population decline, a lack of critical mass, difficulties in maintaining basic services, and limited capacity for long-term investments and strategic development.

An excessive focus on aggregated and historical data also fails to adequately reflect recent geopolitical developments, notably increased tensions in the European Arctic following Russia's invasion of Ukraine, as well as the accelerating impacts of climate change, which disproportionately affect NSPA regions in the European Arctic.

Moreover, current large-scale investments in green and strategic industries are creating new opportunities across the NSPA. However, they are also intensifying existing challenges, including acute skills shortages and growing pressure on housing, public services, and infrastructure. These dynamics

significantly increase the risk of a talent development trap, where labour shortages constrain the development of sustainable, competitive, and knowledge-based economies and hinder the green transition. Such risks are not sufficiently captured in the EU's current analytical frameworks.

**Strengthening bottom-up evidence and territorial impact assessments**

EU legislation must be underpinned by stronger bottom-up evidence and robust territorial impact assessments throughout the policymaking process. These tools are essential to ensure that policies are fit for purpose across all regions and do not unintentionally exacerbate territorial disparities. In this context, the NSPA actively contributes to strengthening the evidence base through initiatives such as the 2025 OECD study on the NSPA areas funded by DG REFORM, as well as earlier analytical work by the OECD, Nordregio, and Spatial Foresight. Together, these efforts enhance understanding of local and regional conditions and generate policy recommendations at regional, cross-border, and national levels.

While EU engagement in such initiatives is crucial, it must be complemented by regulatory instruments that are sufficiently flexible and tailored to regional contexts. Fully taking into account the diverse territorial realities across the Union, in line with Article 174 TFEU and the Swedish and Finnish accession treaties, is therefore essential to ensure that EU legislation delivers tangible benefits to all parts of the EU, including the NSPA regions in the European Arctic. Embedding this approach in the Better Regulation Guidelines would strengthen cohesion, competitiveness, security, and overall strategic autonomy, while reinforcing trust in European policymaking.