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## Information and Notices

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## I

*(Resolutions, recommendations and opinions)*

## OPINIONS

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

572ND PLENARY SESSION OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE,  
21.9.2022-22.9.2022**Opinion of the European Economic and Social Committee on SMEs, social economy enterprises,  
crafts and liberal professions / Fit for 55****(own-initiative opinion)**

(2022/C 486/01)

Rapporteur: **Milena ANGELOVA**Co-rapporteur: **Rudolf KOLBE**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Single Market, Production and Consumption ...
Adopted in section	27.6.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	143/1/0

**1. Conclusions and recommendations**

1.1. Micro, small and medium-sized enterprises, be they traditional enterprises, family businesses, traders, social economy enterprises, crafts or liberal professions (referred hereafter as MSMEs) are an essential part of the solution towards a competitive, climate-neutral, circular and inclusive EU economy, provided that the right conditions are created and prevail. Positive impact is generated by MSMEs through improving their own environmental performance and through providing expertise and solutions to other enterprises, citizens and the public sector. While acknowledging and highlighting the diversity and different needs of MSMEs, the EESC calls for specific attention to be paid to the smallest and most vulnerable ones.

1.2. Many MSMEs lack knowledge on the continuously evolving legislative requirements, established to deliver on achieving climate neutrality, and on how to respond to them. Furthermore, they have difficulties in identifying potential business benefits and opportunities provided by the green transition. The EESC thus highlights that there is an urgent need to support MSMEs in understanding and managing the green transition in the best possible way.

1.3. The EESC calls for wide-ranging and targeted information and awareness-raising measures, delivered in a coordinated and complementary manner by the EC and MSs, together with business organisations, chambers, social partners and other relevant stakeholders.

1.4. The EESC also calls for a comprehensive programme, aimed at supporting MSMEs through all the issues they face in their business operations and activities in going green and complying with legislation. As there are considerable differences between MSMEs, highly customised solutions and well-targeted policies and measures are necessary.

1.5. Immediate and targeted short-term support for MSMEs is pivotal for boosting their economic recovery from the pandemic and helping them manage the implications of the Russian invasion of Ukraine, such as high energy prices and lack of supply of materials and products. Due to the extraordinary circumstances, the EESC considers that proper flexibility in the European Green Deal (EGD) schedules should be given over time until the end of the crisis, while ensuring that the objectives are not abandoned for any reason.

1.6. To improve the resource efficiency of MSMEs, the EESC proposes establishing 'circularity hubs' in various regions. This should enhance cooperation between companies across sectors and facilitate the development of new practices and processes, including demonstrating new technologies. MSME organisations, chambers, academia, social partners and other relevant stakeholders should be an integral part of the process.

1.7. The EESC believes it important to involve MSME representatives in preparing sectoral climate action roadmaps at national level, as well as in shaping the EU level transition paths for various business ecosystems, thus also enhancing knowledge on sharing best practices, proper resource allocation and efficient implementation.

1.8. The EESC calls on the EU and MSs to accelerate green investments of MSMEs by ensuring an enabling, predictable and encouraging regulatory environment, including smooth permission procedures and avoiding burdensome administrative duties, as well as by providing fast, easy, simple and traceable access to finance, tailored to the different needs of all diverse groups of MSMEs.

1.9. The EESC calls for close cooperation between education providers and MSMEs in shaping training to meet the competences and skills needed in the green transition, including through upskilling and reskilling employees and entrepreneurs alike. Moreover, the EESC calls for supporting innovation activities for the MSMEs by incentivising and facilitating cooperation with other businesses, their organisations, chambers, universities and research organisations.

1.10. The EESC urges the promotion of trade in green solutions produced by MSMEs, including in the context of public procurement, by providing MSMEs with a level playing field in the single market and by facilitating their access to foreign markets of green products, technologies and services. A competitive business environment must be ensured for EU enterprises in relation to third countries, deploying all means of diplomacy, including in the spheres of climate, resource and trade policy, and paying specific attention to moves by China and other emerging markets.

## **2. The green transition and MSMEs**

2.1. MSMEs contribute to a job-rich and sustainable economy. They keep societies stronger together, often combining economic with social functions, and in this way strengthen the basis of democracy, unity and inclusiveness. They are key for economic and social recovery and prosperity, being grass-rooted at each and every corner of the EU and especially in the remote and rural areas, where quite often they are the only economic-activity-generating factor.

2.2. Climate change drives the sustainable energy transition, but — most significantly — it drives the whole economy and society towards climate neutrality, circularity and overall sustainability. It causes extreme weather phenomena and natural disasters, and is linked to other major environmental challenges such as biodiversity loss, environmental pollution, and the degradation of natural resources.

2.3. The Fit for 55 package focuses specifically on mitigating climate change and includes many pieces of legislation that affect MSMEs in various ways. It is part of the implementation of the EU flagship initiative — the EGD, that addresses sustainable growth related to industries, trade, services and energy, transport, buildings and food systems. MSMEs play an essential role in all these sectors.

2.4. MSMEs are an essential part of the solution in the implementation of the EGD, provided that the right conditions are created and prevail. This positive impact is generated, on one hand, through improvements in the performance of the wide variety of MSMEs, and on the other hand through the actions of those MSMEs, providing expertise and solutions to other enterprises, citizens and the public sector.

2.5. The green transition is closely linked to the digital transformation, and MSMEs need to manage both parts of this twin transition — a very demanding double challenge because of the substantial need for resources. Digitalisation is a tool for making business operations more efficient, helping new market expansion and internationalisation, and has the considerable potential to decrease emissions, waste and the use of natural resources. But digital services and equipment also cause environmental impacts which need to be managed simultaneously.

2.6. Besides striving for the green and digital transitions, MSMEs are struggling with the economic recovery from the pandemic and with the implications of the Russian invasion of Ukraine. High energy prices and a lack of supply of materials and products are among recent issues that have significant impacts on MSMEs and their business. Their competitiveness, as well as the overall competitiveness of the EU economy, is further jeopardised by the sudden moves of China and other emerging markets, that also benefit from avoiding sanctions on Russia and following lower climate and environmental requirements.

2.7. Climate- and environment-related issues are not only environmental sustainability matters but are also, to a great extent, an essential part of the competitiveness, profitability and overall economic performance of enterprises. Besides relying on their own values and general consciences, MSMEs meet climate and environmental requirements and expectations through various mechanisms.

- Direct requirements of the regulatory framework for MSMEs, e.g. on emissions, energy, materials and products, or administrative obligations.
- Indirect effects of some requirements, impacting the availability and prices of production factors such as energy and materials, or through other costs of running a business, including taxation.
- Requirements through the value chains in the form of customer, investor and financier expectations, such as those regarding sustainable finance and reporting, or through the expectations of other stakeholders.

2.8. Many MSMEs are not fully aware of the impacts of specific climate and environmental policies and requirements on their businesses and their supply and value chains, nor how to adapt or convert products and services at an early stage to prevent later losses or even market exclusion. Moreover, they are confronted with limited human and financial resources for everyday operations and for developing their businesses, and there is a risk that their limited size presupposes or requires too much multi-expertise. A remarkable share of enterprises face difficulties due to the complexity of continuously evolving pieces of legislation, administrative burdens, financial rules and high costs, lack of specific environmental expertise and knowledge for choosing the right actions<sup>(1)</sup>, accompanied by difficulties in accessing new value chains, finance, staffing, and new business models, among others.

2.9. While the lack of awareness of requirements and ways of responding to them are an important challenge, so too are the difficulties in identifying potential business benefits and opportunities such as reduced energy and material costs, improved access to finances, higher demand and new markets, and an improved image among stakeholders.

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<sup>(1)</sup> Data from Flash Eurobarometer 498. SMEs, green markets and resource efficiency report, p. 46, March 2022.

2.10. MSMEs with a business value proposition in the circular economy, climate, biodiversity, renewable energy and other EGD themes have an inherent incentive to explore, invest and pursue new business opportunities in those areas. They have many opportunities, e.g. in the renovation of buildings, in the planning and construction of infrastructure, in industrial production and maintenance of equipment, in providing legal and accounting services, and in developing digital solutions. The transition process is, to a high degree, dependent on their smart solutions, generated by the experts they employ, which underlines the importance of high-quality and relevant education, VET and constant upskilling.

2.11. The most vulnerable group of MSMEs, that also have the highest need of information are, in turn, those who believe the EGD is just an additional piece of legislation adding to cumulative administrative burdens, putting their current business models under pressure, and limiting profitability in a business-as-usual scenario. This highlights the fact that all MSME categories, be they vulnerable laggards, followers or leaders, require support that is different and specifically targeted towards them <sup>(2)</sup>.

2.12. Besides, in terms of capacity and preparedness, there are many differences between MSMEs in terms of the nature and magnitude of climate and environmental issues, the requirements and expectations targeted towards them, and the opportunities that open up to them. The differences stem from various factors: the natural resource intensity of the business, the size of the enterprise, the position of the enterprise in supply chains and business ecosystems, the location of the enterprise, the types of customers, the sources of production factors, and the geographic markets of the enterprise.

2.13. This calls for highly customised solutions and well-targeted policies and measures that take account of the differences between, say, medium-sized enterprises in manufacturing industries, enterprises operating in hospitality and retail sectors, family and traditional businesses, innovative start-ups, social economy enterprises, and crafts and liberal professions.

2.14. Despite the many differences between MSMEs, the successful management of the green transition in every enterprise starts with proper awareness of and knowledge on topical issues and trends, which makes it possible to see the strengths, weaknesses, opportunities and risks of the enterprise, and define how it wants to position itself in the green transition.

2.15. The most concrete efforts at enterprise level are related to planning, organising and monitoring the overall business, including the production and trade of goods and services, transport and logistics, and procurement of energy, raw materials, and other production factors. Climate and environmental aspects are also an integral element in innovation activities, in skills development and the involvement of all personnel, and in communication and cooperation with stakeholders.

### 3. Policies and measures to support MSMEs under Fit for 55

3.1. In order to be Fit for 55 and able to successfully accomplish the green transition, MSMEs must be thoroughly informed and facilitated to better understand the implications of the new and complex legislative proposals <sup>(3)</sup>. This requires wide-ranging and targeted information and awareness-raising measures, delivered in a coordinated and complementary manner by the EC and MSs, which have a crucial responsibility here. The role of business organisations and chambers is also central in informing and supporting their members, complemented by education and training providers, regional development offices, cluster organisations, social partners and relevant CSOs.

3.1.1. Following the Russian invasion of Ukraine, the EGD policies are now under open consultation in terms of schedules due to the new extraordinary circumstances, and to the EU's dependence on energy and food from Russia and Ukraine. The EESC recognises the extraordinary circumstances and dependences, and considers that the green objectives should not be abandoned for any reason, however a logical flexibility should be given over time until the end of the crisis.

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<sup>(2)</sup> Smit, S.J., *SME focus — Long-term strategy for the European industrial future*, EP Policy Department for Economic, Scientific and Quality of Life Policies, PE 648.776 — April 2020.

<sup>(3)</sup> The Fit for 55 package comprises a vast range of legislative initiatives, where the final decision is subject to negotiations between the institutions. Until this process is completed, the MSMEs can only follow partial information, and face uncertainty about the future.



3.1.2. In addition to the appropriate impact assessment of all legislative initiatives, the EESC calls on the EC to provide a comprehensive, clear and unambiguous guide on all the existing and upcoming climate-related requirements and their implications for MSMEs, which should cover:

- the direct requirements or restrictions for MSMEs under the various pieces of legislation, broken down according to various types and categories of enterprises (sector, size, etc.);
- the indirect impacts on MSMEs to be anticipated through market mechanisms, due to the requirements targeted towards big companies.

3.1.3. The EESC calls for corresponding guidance on legislation on other major environmental issues to also be prepared. More generally, this kind of guide should become regular practice and accompany any future initiatives in the field of the EGD. MSMEs need a stable legislation framework which provides clear perspectives and planning for their investments. Therefore sudden changes, such as the recent change of renewables and energy efficiency targets proposed in the REPowerEU plan, must be avoided, as they aggravate the already highly complex and uncertain environment.

3.2. In view of the wide scope and depth of the EGD, a total industrial transformation is envisaged. Following the Think Small First principle, and in order to avoid MSMEs 'simply going out of business', a comprehensive and wide-ranging support and capability development programme is needed. The aim would be to support MSMEs through all the issues they face in their business operations and activities in going green and complying with legislation.

3.2.1. The EESC sees a high degree of interest, stated by the EC and the EP, to build on the initiatives already in place to promote the SME strategy and explore further possibilities for successfully delivering on the strategy. The EESC calls for this interest to be effectively translated into policy in all possible areas, and stresses the indispensable role of the MSs, which shall act in cooperation with MSMEs organisations, chambers, social partners and other relevant stakeholders.

3.2.2. Young entrepreneurs are the future of further MSME and job growth. Their attention to consumers and attractiveness for young employees, combined with a growing concern about the green transition, must therefore be more specifically identified and addressed, for example in the recovery plans. Moreover, to make use of the full potential of the whole society and to enhance diversity in businesses, any obstacles to female entrepreneurship must be removed. The entrepreneurial spirit of all the vulnerable groups, such as persons with disabilities, migrants and minority communities, must also be stimulated and promoted.

3.2.3. In order to enhance the synergies of digitalisation and greening in MSMEs, both trends need to be considered simultaneously in shaping policies and measures. As neither the green nor the digital transition are merely technical or financial matters, major personal and business issues need to be dealt with to get the broad majority of MSMEs to adopt a long-term and future-proof twin transition<sup>(4)</sup>.

3.2.4. The EESC also calls on the EC and MSs to monitor the effects of the implementation of the green and digital transitions in terms of the supply and value chains, and the respective regional economic and societal developments in order to be able to counteract possible negative effects on MSMEs and employment at an early stage.

3.3. In order to support the development of the MSMEs' everyday business operations, such as the production of goods and services, energy production and use and the organisation of logistics, a proper supply of practical advisory services and cooperation platforms needs to be available.

3.3.1. The EESC calls on the EU and MSs to enhance and encourage the establishment of technological and managerial support services available for MSMEs, deploying the full potential of different instruments, especially in the implementation of the national recovery and resilience plans and Partnership Agreements, with the aim of assisting enterprises to improve energy and material efficiency, and decrease the generation of emissions and waste, so as to minimise both costs and environmental impacts. The EESC also calls for integrating environmental aspects into the advisory services in the digital field.

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<sup>(4)</sup> SME focus, EP Policy Department, April 2020.

3.3.2. To improve the resource efficiency of MSMEs, the EESC proposes establishing ‘circularity hubs’ in various regions. This should enhance cooperation between companies across sectors and facilitate the development of new processes for recycling and reusing waste and by-products, including the demonstration of new technologies.

3.3.3. The EESC calls for the involvement of MSMEs and their representatives in preparing sectoral climate action roadmaps at national level, as well as in shaping the EU level transition paths for various business ecosystems, thus also enhancing knowledge on sharing best practices, proper resource allocation and efficient implementation.

3.4. In order to enhance and support investment in the greening of MSMEs, the economy, and society as a whole, a favourable investment environment and enabling conditions for MSMEs to enjoy proper access to financing need to be ensured.

3.4.1. The EESC calls on the EU and MSs to accelerate investments of MSMEs by:

- ensuring an enabling and encouraging regulatory environment, including short and simplified permission procedures and avoiding burdensome administrative duties;
- providing fast, easy, simple and traceable access to finance, tailored to the different needs of MSMEs stemming from their type, activity, location, sector, etc., including through targeted grant instruments.

3.4.2. The EESC calls on the EC to take due account of the indirect impacts of the sustainable finance criteria on MSMEs. The same applies to the solvency requirements for banks and any other policy measures in the fields of economic and fiscal policy that have an indirect impact on the MSMEs’ capacity to invest and operate, which result in job creation and job retention.

3.4.3. The EESC calls for sticking to the rules of sound competition when allocating public funding for green investments. The EESC also stresses the need for monitoring the finance flows with appropriate indicators. It is important to grant MSMEs equal access to public procurement and investment, e.g. in general infrastructure, as well as to encourage investment in the greening of the MSMEs themselves, e.g. by using public funding as a leverage for private investment.

3.4.4. Following recent developments in the energy markets, the EC has recognised the vulnerability of MSMEs caused by the increasing risk of energy poverty<sup>(5)</sup>. The EESC welcomes the definition of ‘vulnerable micro-enterprises’, and calls for an extra effort to provide them with relevant support to tackle this burden.

3.5. The EESC calls on the EU and MSs to enhance trade in green solutions by MSMEs by developing and ensuring proper market conditions that do the following.

- Provide MSMEs with a level playing field in the single market, in terms of trade in products, technologies and services that contribute to the green transition.
- Ensure that MSMEs are given proper access to provide green solutions to the public sector in the context of tenders regarding, for example, construction, technologies and services. It is necessary to make quality-based procedures mandatory for such services, and to reduce capacity requirements that hinder MSMEs in participating in public procurement procedures.
- Facilitate equal access to foreign markets of green products, technologies and services by MSMEs, by means of multilateral and bilateral trade agreements. The EESC also encourages MSs to take due account of the needs of MSMEs in their export promotion activities.
- Ensure a competitive business environment for EU enterprises in relation to third countries, deploying all means of diplomacy, including in the spheres of climate, resource and trade policy. Specific attention should be paid to China and other emerging markets, through agile and coordinated responses to their sudden moves.
- Ensure that standards promoting the green transition are drafted in an MSME-friendly way, and allow for innovation by enforcing equivalent alternative solutions.

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(5) COM(2021) 568 final, 14.7.2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0568>

3.6. To strengthen the role of MSMEs in the development of new green solutions for businesses, consumers and society at large, the EESC calls for the following measures.

- The various innovation programs and initiatives must be more easily understandable and accessible for MSMEs, and guidance should be provided regarding diverse funding instruments available in the field of green innovation, including the European Investment Fund tools.
- The funding should promote MSME access to innovation ecosystems and partnerships with leading big companies. Moreover, MSs should facilitate cooperation between MSMEs and universities and research organisations in developing new products, technologies and solutions.
- The development of common data spaces and easy access to them for MSMEs should be accelerated, with the aim of contributing to the development of new green and digital solutions, including those based on AI.

3.7. In order to ensure the proper skills needed to develop and run businesses in line with the green transition <sup>(6)</sup>, the EESC calls for the following.

- Ensuring that the curricula of vocational and university studies and of continuous professional development (CDP) approaches take full account of the competences and skills needed in the green transition, focusing on the wider process of job greening and the interdependence between sectors.
- Encouraging close cooperation between education providers and MSMEs in shaping the supply of training, including modules and micro courses applicable for upskilling, to meet the needs of enterprises.
- Making use of social dialogue to identify needs and develop skills at workplaces. Given the size and diversity of MSMEs and the specificities of various national systems, social dialogue and collaboration between employers and employees in MSMEs has various modes.

3.8. The EESC calls for the creation of proper indicators and practical tools that contribute to the systematic monitoring of the operations and impacts of enterprises in relation to the green transition. This should also serve for communicating to the wide range of stakeholders. Meanwhile, the EESC calls on EU policy-makers to refrain from setting burdensome reporting obligations for MSMEs, and to also evaluate the indirect implications for MSMEs caused by the reporting requirements targeted towards big companies.

#### **4. Specific comments on liberal professions, crafts and social economy enterprises**

4.1. In order to ensure a fair ecological transition in which no one is left behind, it is crucial that EU policies be formulated bearing in mind their potential impact on trades and crafts. These economic players are indeed important to local economies, providing indispensable goods and services tailored to the needs of consumers, even in geographic areas that are less connected to urban centres. Dialogue with their representatives, such as business organisations and chambers, allows for wise policy decisions that factor in the potential impact on the ground.

4.2. Independent professional expertise is needed to find optimised innovative solutions for climate change and other environmental challenges. Liberal professions respond to this need in several fields of the economy and society by providing technical, legal, financial and non-financial expertise and advice. The EESC calls for EU-wide measures for incentivising the Member States to promote professional regulations to ensure the implementation of the green and digital transition in a proper way, e.g. in complex technical approaches, so as to promote the most market-driven and innovative solutions.

4.3. Increasing sustainability in local and regional spatial planning can be ensured by enhancing consulting services for municipalities. It is also important to further develop the concept of strategic environmental assessment in the direction of sustainability assessment (ecological, economic, and social). Public procurement procedures across the EU should apply climate and other quality-oriented criteria, and through this promote MSME innovation and facilitate their access to projects, especially in the field of planning services.

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<sup>(6)</sup> Also in line with OJ C 56, 16.2.2021, p. 1.

4.4. New techniques, products and processes are needed in the transition to the circular economy. For example, in the construction sector this requires recycling renovation and construction waste, reusing elements, and introducing new building materials, including acknowledging quality-assured secondary building materials, and close cooperation between producers, the crafts, professionals and the recycling industry. Regional value chains and building clusters must also be strengthened through the involvement of the crafts.

4.5. The environmental challenges related to social economy enterprises are essentially the same as those of other enterprises in terms of the issues in question. However, the specific conditions of these enterprises need to be duly considered in line with the numerous EESC opinions, through targeted measures built on the recent EU social economy action plan.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on Business transfers as promoters of sustainable recovery growth in the SME sector**

**(own-initiative opinion)**

(2022/C 486/02)

Rapporteur: **Mira-Maria KONTKANEN**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Single Market, Production and Consumption
Adopted in section	8.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	143/0/0

## 1. Conclusions and recommendations

1.1. Business transfers (BT) are an important strategic process ensuring the continuity of businesses and safeguarding employment. Therefore, the European Economic and Social Committee (EESC) suggests that European Union (EU) and Member State (MS) recovery and growth policies give business transfer promotion a strong role.

1.2. Business transfers safeguard the social fabric of rural areas where MSMEs (micro, small and medium-sized enterprises) have a strong presence. Developing well-functioning business transfer ecosystems and support services is essential in preserving the livelihood and economies of rural and mono-industrial areas. The EESC believes that this should be recognised in the implementation of the EU's long-term vision for rural areas and in the Rural Action Plan.

1.3. Successful business transfers safeguard existing jobs and create new employment as well as future prospects for employees in terms of job continuity and professional development. The EESC encourages Member States to share best practices on how to promote the transfer of a firm to employees, for example in the form of a cooperative<sup>(1)</sup> and other worker-owned social economy enterprises.

1.4. The earlier entrepreneurs prepare for the transfer, the more successful transfers tend to be. Member States must increase their awareness-raising activities on business transfers and equip business and other support organisations to promote and assist MSME transfers. The EESC also calls for Member States to introduce and further develop Early Warning mechanisms<sup>(2)</sup> for MSMEs to support the resilience, viability and ultimately the transferability of the business.

1.5. Acquiring an existing business should be actively promoted as an equally attractive opportunity for first-time entrepreneurs as being a start-up entrepreneur. Know-how on buying a firm and succession should be part of entrepreneurship education, in secondary and higher education. Thus, the EESC calls for incentives to be developed for the transfer of small firms to young entrepreneurs. Such incentives could include awareness-raising, advisory services,

<sup>(1)</sup> For instance, there is a framework in France to organise and facilitate the transfer of a company to employees and to strengthen the economic activity of the territories by facilitating the transfer of MSMEs.

<sup>(2)</sup> The Early Warning mechanism is an advice and support service to companies in financial distress that aims for an early intervention to prevent bankruptcies of viable businesses.

mentoring and access to finance. Also, young entrepreneurs' understanding of social dialogue could be further strengthened to ensure successful business transfers for all stakeholders. Equally, further incentives for BTs for female entrepreneurs should be developed, to increase the number of women entrepreneurs which is currently too low.

1.6. Funding remains an obstacle for successful business transfers and most business transfers require external funding. The EESC strongly encourages each Member State to ensure that there are financial institutions available to support MSME business transfers, for instance by assisting with bank loan collaterals.

1.7. The EESC recommends that the Member States establish national business transfer stakeholder forums that represent both public and private stakeholders. Business transfer forums offer a systematic and long-term approach to BT promotion. They also provide a space for an ongoing dialogue between national experts and constitute a more efficient use of resources.

1.8. The EESC believes that online business transfer platforms should be developed in all EU Member States, and that they should also be accessible to micro- and small firms. Interlinkages and synergies should be developed between different online platforms in the MSs and the European Commission could facilitate the interlinkage between different online marketplaces in the EU.

1.9. Data on business transfers is often fragmented, insufficient, outdated, and non-comparable across the EU Member States. The EESC therefore recommends that the Commission and MS continue to improve the business transfer database.

1.10. A regular review of the situation of business transfers in Europe should be developed, for instance in the form of an EU-wide business transfer barometer that would also provide input for evidence-based policy making. The annual EU SME Assembly should be utilised as a regular discussion and experience sharing forum for MSME transfers. Lastly, different awareness-raising initiatives should be considered, such as establishing a national and/or European business transfer week.

## 2. Introduction

2.1. Increasing the number of successful business transfers would have immediate benefits for employment, business continuity and the European economy as a whole. In line with the proposals of Conference on the Future of Europe<sup>(3)</sup>, business transfers contribute to more resilient and cohesive societies.

2.2. Business transfers form an increasingly significant and natural part of the strategic development, renewal, and growth of MSMEs. As Europe's population ages and the number of entrepreneurs planning to withdraw from business increases, successful business transfers are becoming even more crucial for the European MSME economy.

2.3. Approximately 450 000 firms with 2 million employees are being transferred each year across Europe. It is estimated that every year, around 150 000 businesses risk not being transferred successfully, endangering around 600 000 jobs. The smallest businesses are the most vulnerable to failed transfers<sup>(4)</sup>.

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<sup>(3)</sup> Conference on the Future of Europe, Report on the Final Outcome, May 2022

<sup>(4)</sup> European Commission: Business Dynamics: Start-ups, business transfers and bankruptcy, 2011.

2.4. Business transfers can be a complex process due to financial, managerial, regulatory, administrative or market challenges, such as matching sellers with buyers. At the same time, most of all business transfers occur in micro-businesses with limited resources. A transfer is often more difficult for small businesses where the incumbent owner plays a dominant role<sup>(5)</sup>.

2.5. A well-functioning business transfer ecosystem is essential for successful transfers and helps to build dynamic BT markets. Business transfer ecosystems comprise various public and private stakeholders: buyers, sellers, predecessors, successors, business advisors such as business brokers, accountants, lawyers and consultants, mediators, financial institutions, business support organisations, policymakers, and academics. Awareness-raising activities that aim to increase preparedness for BTs are an important part of the ecosystem. Still today, the business transfer landscape varies substantially between Member States and between regions within a MS, leaving room for mutual learning and improvement for business transfer ecosystems throughout Europe. However, the final responsibility for the transfer always lies with the entrepreneur.

2.6. A successful change of ownership can result in a more resilient, innovative, and competitive business. When businesses with new owners adopt more green and digital business models, business transfers also contribute to the green and digital transition of the MSME sector.

2.7. The COVID-19 pandemic has also highlighted the need to strengthen the resilience of European businesses and ensure better preparedness planning. The firm and its business model should be healthy and resilient to external shocks for the transfer to be successful. Financial health and resilience increase the chances of a successful transfer.

### 3. Background

3.1. Business transfers have been a part of EU entrepreneurship policy since the early 1990s. In 1994 the European Commission drafted a Recommendation<sup>(6)</sup> to improve the framework conditions in the Member States for BTs. This recommendation proposed a series of measures for MSs to improve the situation for businesses preparing for a transfer. These measures include awareness and preparedness-raising activities, improving the financial environment for BTs, opening up legal paths for restructuring, providing the legal means for ensuring partnership continuity in the event of a partner's or owner's death, ensuring that inheritance or gift taxes do not stand in the way of transfers and facilitating the transfer of businesses to third parties via appropriate tax rules.

3.2. Since then, the EC reviewed the Recommendation in 2006 and published the Communication<sup>(7)</sup> *Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses — Continuity through a new beginning*. The review highlighted that the implementation of the 1994 Recommendation still required further efforts. In addition to calling for implementation of the 1994 Recommendation, the 2006 Communication made further recommendations for BT promotion such as increasing the political attention given to business transfers, providing specialised support and mentoring, organising transparent transfer markets, and implementing national, regional, and local support infrastructure to foster transfers.

3.3. In 2013 the EC evaluated the progress of the 2006 recommendations. The general conclusion was that not enough progress had been made in implementing measures to improve the framework for BTs since the 2006 Communication. The shortcomings listed in the evaluation were in areas such tax arrangements for third parties or employees or in the provision of dedicated support and finance initiatives. The evaluation also pointed out that business transfers were not given sufficient policy attention at EU or at MS level, in contrast to start-up policy.

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<sup>(5)</sup> European Commission Communication: *Implementing the Lisbon Community Programme for Growth and Jobs Transfer of Businesses Continuity through a new beginning*, 2006, COM(2006) 117 final, p. 4.

<sup>(6)</sup> Commission Recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises (94/1069/EC).

<sup>(7)</sup> EC Communication, *Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses — Continuity through a new beginning*, 2006, COM(2006) 117 final.



3.4. In 2020 the EC published an EU SME Strategy<sup>(8)</sup> reconfirming its commitment to continue to work on making business transfers easier and to support MSs in their efforts of establishing a transfer-friendly business environment. Recently, the EC has focused on improving the evidence base of business transfers, publishing a report in 2021<sup>(9)</sup>. EC's actions and EU-funded good practices can be followed on EC website<sup>(10)</sup>.

3.5. The EESC has also recognised the importance of MSME transfers and is calling for swift measures to facilitate and streamline them at reasonable cost<sup>(11)</sup>. In its opinion on the EU SME Strategy, the EESC is also calling for special attention to be given to cross-border MSME transfers to address the high costs associated with these transactions and the substantial differences between national regulations<sup>(12)</sup>. The EESC follow-up opinion on the EU SME Strategy<sup>(13)</sup> illustrates the potential of successful business transfers to make a business more digital and sustainable, in line with the EU's twin transition goals.

#### 4. General comments

4.1. Business transfers are an increasingly important topic for MSMEs due to European demographics and ageing entrepreneurs. Approximately 90 % of business transfers take place in micro-firms<sup>(14)</sup>.

4.2. Increasing the number of successful business transfers has immediate benefits for the European economy. Compared to start-ups, successfully transferred businesses perform better in terms of survival, turnover, profit, innovativeness and employment<sup>(15)</sup>. According to the European Commission, existing firms conserve on average five jobs whereas a start-up only generates two jobs on average<sup>(16)</sup>. Promoting BTs is thus the best possible promotion of entrepreneurial growth.

4.3. Business transfers safeguard the social fabric of rural areas where there is a strong MSME presence; it is estimated that at least one third of European MSMEs are in rural areas. They ensure the economic and social cohesion of these areas through their services to citizens, consumers and local economic activities as well as through the employment they provide<sup>(17)</sup>. Business transfers help to avoid the loss of local crafts expertise. Often, the local crafts and retail sector contribute positively to diverse consumer choice in the market, offering an alternative to uniform retail chains. For consumers, a successful transfer means continued and often improved services and products. Developing well-functioning BT ecosystems and support services is essential in preserving the livelihood and economies of mono-industrial and rural areas, having specific importance especially for the agri and food processing sector. Successful transfers also offer a pathway to speed up the twin transition in rural areas via a transformation initiated through a change of ownership. The EESC believes that developing BT ecosystems and support services should be part of the implementation of the EU's long-term vision for rural areas and of the Rural action plan.

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<sup>(8)</sup> EC Communication, An SME Strategy for a sustainable and digital Europe, 2020, COM(2020) 103 final.

<sup>(9)</sup> EC, Executive Agency for Small and Medium-sized Enterprises, Improving the evidence base on transfer of business in Europe: final report, Publications Office, 2021.

<sup>(10)</sup> [ec.europa.eu/growth/smes/supporting-entrepreneurship/transfer-businesses\\_en](https://ec.europa.eu/growth/smes/supporting-entrepreneurship/transfer-businesses_en)

<sup>(11)</sup> OJ C 197, 8.6.2018, p. 1.

<sup>(12)</sup> OJ C 429, 11.12.2020, p. 210.

<sup>(13)</sup> OJ C 194, 12.5.2022, p. 7.

<sup>(14)</sup> EC, EASME, Improving the evidence base on transfer of business in Europe: executive summary, Publications Office, 2021

<sup>(15)</sup> Tall, Varamäki & Viljamaa: Business Transfer Promotion in European Countries, Seinäjoki 2021, p. 8.

<sup>(16)</sup> Commission of the European Communities (2006), Transfer of Businesses: Continuity through a new beginning, Brussels, p. 3.

<sup>(17)</sup> SMEunited, Position on long-term vision for the EU's rural area, April 2022.



4.4. Business transfer promotion is also beneficial for employees as it preserves jobs and business continuity. In MSMEs in particular, employees are the most valuable asset that is transferred to the new ownership. Therefore, it is important to ensure the well-being of employees in the event of BTs. Often, new owners approach the transfer with enthusiasm to develop and grow the business. This also means better future perspectives for employees in terms of job continuity and professional development. The EESC encourages MSs to share best practices regarding transfers where employees can continue to work and develop the activities by taking over their enterprise, for example in the form of a cooperative and other forms of enterprise in the social economy owned by workers<sup>(18)</sup> that have demonstrated their resistance to crisis situations. Also, promoting social dialogue and information upstream facilitates employee buy-outs. This is in line with EESC opinion INT/925<sup>(19)</sup> highlighting employee buy-outs as good practice for re-launching firms in crisis and transferring SMEs whose owners have no successors.

4.5. Business transfer promotion must be given a strong role in EU and Member State recovery and growth policies. The EESC endorses the long-standing and strategic effort made by the Commission as well as business transfer promotion organisations such as Transeo<sup>(20)</sup> to create a more transfer friendly environment in Europe. However, there is still room for improvement. The level of attention, the current overall functionality of the business transfer ecosystem and the extent of BT promotion measures vary significantly between Member States. In a fast-developing business environment, entrepreneurs need to embrace opportunities for growth, both in-house and through acquisitions. All kinds of ownership transfers should be considered, including family successions, management buy-ins and buy-outs, strategic acquisitions, and employee buy-outs.

4.6. For Europe's transition to the digital and green economy to succeed, MSMEs need to be taken on board. Business transfers are a natural way to transform an MSME business model into a greener and more digital one, supporting their digital and green transition. A successful change of ownership can result in a more resilient, innovative, and competitive business. Also, from a resource perspective purchasing an existing firm with its production assets is often more environmentally friendly than purchasing new ones.

4.7. Especially when the business is being transferred from an ageing entrepreneur to a younger one, it is likely that the young entrepreneur is better equipped to integrate new technologies, production methods and sustainable business models into the acquired business. Thus, the EESC calls for further incentives, such as awareness-raising, advisory services, mentoring and access to finance to be developed for the transfer of MSMEs to young entrepreneurs. Also, young entrepreneurs' understanding of social dialogue could be further strengthened for example through modules of social dialogue in entrepreneurship training. Starting as an entrepreneur by acquiring an existing business should be actively promoted as an opportunity that is equally attractive as becoming a start-up entrepreneur. Equally, further incentives for BTs for female entrepreneurs should be developed, to increase the number of women entrepreneurs which is currently too low.

4.8. In the vast majority of business transfers external funding is needed. Due to increasing regulatory requirements in the financial sector, there are two key financial instruments to highlight to promote BTs. Firstly, the need for collaterals to finance business transfer packages is obvious. However, the growing share of business assets are immaterial, and the banking sector is required to comply with ever tighter rules. Each MS needs an operator or organisation that provides collateral for bank loans. Secondly, the development of the EU regulatory framework increases the demand for equity funding. There are several buyers, who would be qualified to run the target business but are short of equity funding. The EESC strongly encourages the EC to take a proactive role in promoting the development of both these financial instruments in the MSs.

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<sup>(18)</sup> For example, worker-owned societies ('sociedades laborales') in Spain.

<sup>(19)</sup> OJ C 286, 16.7.2021, p. 13.

<sup>(20)</sup> Transeo is an international non-profit association bringing together experts in transfers and acquisitions of small and medium-sized businesses from Europe & beyond.

4.9. A growing number of family owned MSMEs will, in the future, be transferred to third parties. To attract third party buyers, the business needs to be in a viable and economically sound and attractive state. The earlier entrepreneurs prepare for the transfer, the more successful the transfer tends to be. Member States must increase their awareness-raising activities on business transfers and equip the business and other support organisations to promote and assist MSME transfers. Early Warning support offered to a business in financial distress can also be important in helping an entrepreneur to lead the business back onto a financially viable path and prepare it for a transfer. Therefore, the EESC calls for MSs to introduce and further develop Early Warning support mechanisms for MSMEs.

A recent study on Business Transfer Promotion in European Countries<sup>(21)</sup> showcases BT promotion practices in the Member States that could be replicated in other countries. The EESC supports the study's recommendation for the MSs to establish national business transfer stakeholder forums, representing both public and private stakeholders. Stakeholder cooperation is needed at all levels: regional, national and international. Business transfer forums offer — through an ongoing dialogue between national experts — a systematic and long-term approach to BT promotion and constitute a more efficient use of resources. Eventually, a cross-border dialogue, promoted by the European Commission, could be established between different national forums to exchange best practices in BT promotion in the MSs.

4.10. The EESC recommends that the Member States make full use of digital technologies in promoting business transfers. Online BT platforms, which in most cases are owned and managed by private stakeholders, should be developed in all Member States, and they should also be accessible to micro and small firms. Interlinkages and synergies should be developed between different online platforms in the MSs and the EC could facilitate access to different online marketplaces in the Member States. Furthermore, the number of cross-border business transfers among small businesses is increasing. Improved cooperation between national online platforms would be a cost-effective way to enable small businesses to explore potential target owners in other MSs.

4.11. Successful European policy making on business transfers requires improved data collection. Still today, the data on BTs is fragmented and non-comparable. The EESC recommends that the Commission and Member States take the suggested steps to improve the business transfer database. These steps were outlined in the recent report *Improving the evidence base on transfer of business in Europe* <sup>(22)</sup>. The EESC also recommends developing an EU-wide BT barometer, reporting once every four years, to provide input for evidence-based policy making based on improved data. Also, different awareness-raising initiatives should be considered, such as establishing a national and/or European business transfer week.

4.12. The EESC suggests that, in addition to developing better data collection, the Commission should regularly review the situation with business transfers in Europe. The annual EU SME Assembly should be utilised as a regular discussion and experience sharing forum for MSME business transfers.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(21)</sup> Tall, Varamäki & Viljamaa: Business Transfer Promotion in European Countries, Seinäjoki 2021, p. 8.

<sup>(22)</sup> European Commission, Executive Agency for Small and Medium-sized Enterprises, Improving the evidence base on transfer of business in Europe: final report, Publications Office, 2021.

## Opinion of the European Economic and Social Committee on Social taxonomy — Challenges and opportunities

(own-initiative opinion)

(2022/C 486/03)

Rapporteur: **Judith VORBACH**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	9.9.2022
Adopted at plenary	22.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	123/26/12

### 1. Conclusions and recommendations

1.1 With this opinion the EESC sheds light on the idea of a social taxonomy, with the objective of stimulating the debate. The EESC calls on the Commission to publish the overdue report describing the provisions that would be required to extend the taxonomy's scope to 'other sustainability objectives, such as social objectives', as requested in the Taxonomy Regulation <sup>(1)</sup> (the Regulation). The EESC speaks up for an operationally viable and conceptually sound social taxonomy, to make the opportunities come true, while also mastering challenges. The EU taxonomy should be aligned with a holistic approach including environmental as well as social sustainability. Given the challenges of the green transition, the economic and social impacts of the pandemic, the war in Ukraine caused by Russia's aggression and the resulting geopolitical tensions, the EESC reiterates the demand for a balanced economic policy and an enhanced focus on social goals.

1.2 The Regulation's minimum safeguards are welcome and should be implemented thoroughly. However, they are not enough to ensure social sustainability for workers, consumers and communities. An EU taxonomy would help to meet the urgent investment needs in the social field by channelling investments in that direction. It will even gain importance if it is part of an overall policy geared towards social fairness and inclusion. A just transition requires sustainable social conditions, and a social taxonomy could deliver the long-awaited guidelines. The EESC calls on the Commission to provide an estimation of the needed funds in order to implement the European Pillar of Social Rights. All in all, public investment will continue to play a crucial role in the field of public services. Financing of social welfare by government spending and stable social security systems remain fundamental. Still, a commonly agreed social taxonomy could provide guidelines for investments with positive social impacts.

1.3 The EESC recommends that the multilevel and diverse approach proposed by the Platform on Sustainable Finance <sup>(2)</sup> (the Platform) should be adhered to in the Commission's report. Integrating a social taxonomy into the EU legislative environment on sustainable finance and governance would be useful, bearing in mind that there is a great deal of work to be accomplished. In particular, the proposed Corporate Sustainable Reporting Directive (CSRD) would be an important complement to a social taxonomy against which the measures could be assessed and evaluated. A well-designed social taxonomy would also contribute to tackling the potential problem of social washing. The EESC recommends starting with simple and clear guidelines, providing for easy and transparent procedures and complementing them step by step at a later state. A close integration of the social and environmental taxonomies should be the final goal, but as a first step mutual minimum safeguards might be practical.

<sup>(1)</sup> OJ L 198, 22.6.2020, p. 13.

<sup>(2)</sup> Platform on Sustainable Finance | European Commission (europa.eu)

1.4 The EU taxonomy should indicate actions and companies that contribute substantially to social sustainability and constitute a gold standard reflecting a higher level of ambition than provided for in legislation. The EESC welcomes the Platform's suggested objectives of decent work, adequate living standards and inclusive and sustainable communities. While various international and EU principles should serve as a basis, the EESC recommends in particular referring to the European Pillar of Social Rights and the relevant Sustainable Development Goals (SDGs), such as SDG 8 on decent work. In any case, compliance with human and workers' rights must be a condition for being taxonomy-conformant. Adherence to collective agreements and co-determination mechanisms in accordance with the respective national and European law is crucial and should constitute a DNSH<sup>(3)</sup> principle. Guidelines with positive social impacts, which are based on the agreement of social partners, should be deemed taxonomy conformant. It has to be kept in mind that the level of collective bargaining coverage varies significantly among Member States and has fallen in 22 of them, a problem which has been addressed by the minimum wage Directive.

1.5 The EESC urges legislators to fully involve the social partners and civil society organisations when designing the social taxonomy, both because they are affected and have to meet reporting obligations and in order to safeguard their ownership. The EESC questions the excessive use of delegated acts in the field of the taxonomy, because a wide range of political questions are addressed. The goal of the taxonomy is to provide transparency for investors, companies and consumers. In the future, its potential use by governmental institutions as a reference for aid and funding programmes should be properly assessed and discussed. Any broader use must be subject to an appropriate decision-making process. Undue interference with national legislation and the autonomy of social partners has to be prevented. Finally, the danger of social washing must be excluded. Complaint mechanisms for trade unions, works councils, consumer organisations and other representatives of organised civil society should be provided for and the competent national authorities should be made more responsible to carry out their control tasks.

1.6 The EESC wishes to highlight further benefits related to a social taxonomy. Firstly, the rising demand for socially orientated investment should be supported by providing a reliable taxonomy which constitutes a coherent concept for measuring social sustainability. Secondly, socially harmful activities might translate into economic risks, and a taxonomy could help to minimise these. Thirdly, transparency is crucial for capital market efficiency, and could also contribute to the social internal market as set out in Article 3 TFEU. It would foster a level playing field, prevent unfair competition and make companies and organisations contributing to social sustainability more visible. Fourthly, the EU should build on its strengths and strive to become a model and front runner of environmental and social sustainability. The debate on an EU ratings agency should be relaunched. The EESC also renews its call for financial and extrafinancial data providers to be properly regulated and supervised.

1.7 The EESC also highlights challenges and possible solutions. Firstly, concerns of market foreclosure arise. However, investments are also based on other criteria, such as expected return, which might outperform sustainability goals, and there are many cases of synergies between investors and other stakeholders' interests. In any case, not being taxonomy conformant must not be deemed to be harmful, and this should be made clear by the Commission. The focus on the impact of sustainable investment on real economy activities should be enhanced. Secondly, the definition of what should be included in the taxonomy will be controversial. This is exactly the reason why the definition process should be subject to democratic debate and decision making. Thus, a common and reliable idea of sustainability could be developed, to which individual actors could and should refer. The success of the taxonomy is linked to its credibility, and the activities included must meet a widely accepted definition of sustainability. Thirdly, a social taxonomy could lead to additional reporting requirements. The EESC calls on the Commission to minimise these, while avoiding overlaps. Counselling and the provision of taxonomy-related services by a legally authorised agency might be useful, especially for small and medium-sized enterprises, cooperatives and non-profit business models. In addition, financial institutions should be encouraged to provide assessments of the social impacts of investments, as currently done by value-based banks worldwide.

## 2. Background to the opinion

2.1 The EU's sustainable finance framework should help steer private financial flows towards sustainable economic activities. The 2018 action plan on sustainable finance consists of a taxonomy, a disclosure system for companies and investment tools, including benchmarks, standards and labels, while the 2021 renewed sustainable finance strategy focuses

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<sup>(3)</sup> DNSH = Do no significant harm.

on financing the real economy's sustainability transition, as well as on inclusiveness, resilience, the contribution of the financial sector and global goals. Within this framework, the EU has worked on various legislative initiatives where the EU taxonomy plays a key role. The EESC points to its respective opinions<sup>(4)</sup>.

2.2 The EU taxonomy should provide transparency for investors and companies and support them in identifying sustainable investments. The Regulation constitutes a classification system, which focuses on six environmental objectives in the areas of climate change mitigation, climate change adaptation, water, biodiversity, pollution prevention and the circular economy. An environmental sustainable investment must make a significant contribution to achieving one or more of these objectives, do no significant harm to any of them (DNSH principle) and comply with performance thresholds (referred to as technical screening criteria). It also has to meet social and governance-related minimum safeguards (Article 18). Therefore, procedures must be implemented by companies to ensure alignment of an activity with the OECD Guidelines for Multinational Enterprises (MNEs), the UN Guiding Principles on Business and Human Rights (UNGPs), the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

2.3 Article 26 of the Regulation mandates the Commission to publish a report by the end of 2021 describing the provisions that would be required to extend its scope to 'other sustainability objectives, such as social objectives'. This reveals an intention to extend its scope, but still does not require the implementation of a social taxonomy. In accordance with the Regulation, the Platform subgroup on social taxonomy was given the task of exploring the extension of the taxonomy to social objectives. Its final report on social taxonomy was released in February 2022<sup>(5)</sup>, later than announced, and the Commission is expected to draw up its report based on that. Moreover, the Platform is asked to advise the Commission on the application of Article 18, i.e. to give guidance as to how companies could comply with minimum safeguards, and on the possible need to supplement the article's requirements.

2.4 The Platform proposes a structure for a social taxonomy within the present EU legislative environment on sustainable finance and governance. In the case of the implementation of a social taxonomy, further provisions would provide a regulatory landscape, including the proposed Corporate Sustainable Reporting Directive (CSRD) which will replace the Non-Financial Reporting Directive (NFRD) and introduce mandatory, EU sustainability-reporting standards; the Sustainable Finance Disclosure Regulation (SFDR); and the Directive on Corporate Sustainability Due Diligence (CSDD). In particular, the proposed CSRD requires companies to also address a bundle of information on social topics and reporting on governance factors and is expected to improve disclosure in relation to social matters. Therefore, it would be an important complement to a social taxonomy against which these matters can be measured and evaluated.

2.5 Despite some differences, the Platform suggests following the structural aspects of the environmental taxonomy. It proposes three main objectives accompanied by sub-objectives. The decent work objective includes sub-objectives such as strengthening social dialogue, promoting collective bargaining, and living wages that guarantee decent lives. The objective of adequate living standards includes healthy and safe products, quality health care and quality housing, and the objective of inclusive and sustainable communities should also promote equality and inclusive growth and support sustainable livelihoods. The suggested minimum safeguards refer to environmental, governmental and social goals in order to avoid inconsistencies, such as a company carrying out sustainable activities being involved in human rights abuses. Moreover, the relevant stakeholders should be addressed, specifically the entity's workforce and value-chain workers, the end-users and the affected communities. Social-related DNSH criteria and the listing of harmful activities are also suggested.

### 3. General comments

3.1 The EESC calls for an economic policy consistent with the objectives set out in Article 3 of the EU Treaty and with the SDGs. A balanced focus on key policy objectives is needed, specifically environmental sustainability, sustainable and inclusive growth, full employment and high-quality work, fair distribution, health and quality of life, gender equality, financial stability, price stability, balanced trade based on a fair and competitive industrial and economic structure, and

<sup>(4)</sup> OJ C 517, 22.12.2021, p. 72.

<sup>(5)</sup> Final Report on Social Taxonomy (europa.eu)



stable public finances. The EESC also points to the competitive sustainability agenda, which puts its four dimensions — environmental sustainability, productivity, fairness and macroeconomic stability — on an equal footing in order to achieve reinforcing effects and a successful green and digital transition <sup>(6)</sup>. Given the war in Ukraine caused by Russia's aggression, the EESC stresses its call for a balanced economic policy that helps to mitigate its economic and social impacts, and points to the statement in the ILO's 1919 Constitution whereby 'universal and lasting peace can be established only if it is based upon social justice'.

3.2 The EESC sheds light on the concept of a social taxonomy, with the objective of stimulating the debate and raising awareness. The EESC speaks up for a well designed, operationally viable and conceptually sound social taxonomy to verify the considerable opportunities while also overcoming challenges (see below). Just like economic policy as a whole, the finance-related sustainability concept and, in particular, the EU taxonomy should be aligned with a holistic and multi-dimensional approach where we should strive for putting environmental and social sustainability on equal footing. Moreover, the green transition can be harmful in social terms. Therefore, the protection and improvement of standards in the social area is needed, with a focus on leaving no one behind. A just transition requires sustainable social conditions, and a social taxonomy could deliver guidelines.

3.3 The EESC perceives a social taxonomy as an important and necessary complement to the EU's social dimension, and calls on the Commission to publish the report as requested in Article 26 in due time. The multilevel and diverse approach of the Platform's report should be adhered to. However, striving for perfection and the inclusion of all aspects of social sustainability at once might lead to huge delays in the social taxonomy's implementation and even the risk of the project being abandoned as a whole. Therefore, the EESC recommends starting the process with simple and clear guidelines as well as easy transparency procedures in a timely manner and then continually complementing this step by step. Concerning the relationship between the environmental taxonomy and a social taxonomy, striving for coherence and a close integration of the two approaches should be the goal. Still, as a first step, mutual minimum safeguards might be practical.

3.4 The EESC is pleased that the Platform has published a draft of its report regarding Article 18 of the Regulation in order to advise companies on how to implement the article's requirements and possibly allow for it to be amended. In particular, in the context of social sustainability it is crucial to assess a company's actual performance on human rights, industrial relations and decent work. However, while the environmental taxonomy's minimum safeguards are highly welcome and should be implemented thoroughly, they would never replace a social taxonomy. They are not nearly enough to ensure social sustainability for workers, consumers and communities <sup>(7)</sup>. Moreover, the EESC recommends cooperating with local social partners, civil society organisations and social enterprises in order to monitor and promote the positive impact of economic activities on stakeholders.

3.5 The social taxonomy will gain importance if it is part of an overall policy geared towards social sustainability accompanied by appropriate rules, for example concerning human-rights due diligence. However, it will never replace sound governmental regulation and social policy. Financing of social welfare by government spending and stable social security systems remains fundamental. The taxonomy should not serve as an instrument for crowding-out or privatisation. Public investment continues to play a crucial role in the field of public services and also often stimulates further private investment. However, the social taxonomy could provide sustainability criteria in the field of infrastructure, health, education and training and social housing for any investors to enable socially sustainable investments in the real economy and avoid social washing. In the future, the taxonomy might also be used by governmental institutions as a reference for aid and funding programmes. This will have to be properly assessed and discussed.

3.6 A social taxonomy would provide a detailed structure of the positive and negative social impacts of economic activities. Many points under consideration relate closely to matters traditionally debated between social partners and among civil society organisations. The EESC calls for organised civil society to be fully involved when designing the social taxonomy, in particular the (sub)objectives, DNSH criteria and safeguarding principles. Employers, employees, consumers, further stakeholders and communities are affected by the design of the objectives and/or have to meet reporting obligations. The EESC also points to pension funds as an example of employees being the beneficiaries of investments. The involvement of stakeholders is crucial to safeguard ownership. The EESC expects that a social taxonomy might be implemented by

<sup>(6)</sup> OJ C 275, 18.7.2022, p. 50.

<sup>(7)</sup> OJ C 152, 6.4.2022, p. 97.

revising the Regulation, hence an ordinary legislative procedure would be carried out. The excessive use of delegated acts in the context of sustainable finance and in particular when implementing the taxonomy is questionable because a wide range of political questions are addressed, going far beyond technical specifications.

3.7 The EESC stresses the importance of enhancing the quality of information in the field of socially sustainable investments and preventing disinformation on the social situation, in order to avoid negative impacts on all stakeholders. A well-designed social taxonomy would contribute significantly to solving such problems by clearly indicating activities and entities that contribute substantially to social sustainability. It should constitute a gold standard and reflect a higher level of ambition than already provided for in legislation, while striking the right balance between being too global and too narrow. While environmental criteria are based more on science, a social taxonomy as proposed by the Platform would rely more on standards and globally-agreed frameworks, which might not be prescriptive but act as guidelines to encourage social sustainable activities.

3.8 Compliance with human and workers' rights must be a condition for being taxonomy-conformant. Likewise, adherence to collective agreements and co-determination mechanisms in accordance with the respective national and European law is crucial and should constitute a DNSH principle. Moreover, guidelines providing for easy and transparent procedures with positive social impacts, which are based on the agreement of social partners should constitute a taxonomy conformant economic activity. It is important to keep in mind here that the level of collective bargaining coverage varies significantly among the Member States, from only 7 % in Lithuania to 98 % in Austria. Since 2000, collective bargaining coverage has fallen in 22 Member States and it is estimated that at least 3,3 million fewer workers are now covered by a collective bargaining agreement. An important role in the implementation of the social taxonomy is played by the new Directive on minimum wages and the extension of the application of collective bargaining agreements<sup>(8)</sup>. Moreover, the EESC recommends providing clear advice on the implementation of minimum safeguards in the proposed legal act itself, possibly relying on the Platform report on Article 18 of the Regulation.

3.9 Various international and EU norms and principles can serve as a basis for the social taxonomy. Concerning the (sub)objectives, the EESC recommends referring to the European Pillar of Social Rights and the associated action plan and the relevant SDGs, specifically SDG 8 (decent work and economic growth), SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (health and well-being), SDG 4 (education and training), SDG 5 (gender equality), SDG 10 (reduced inequalities) and SDG 11 (sustainable cities and communities). Frameworks agreed on by the social partners could also provide an important source. The EESC considers that the Platform's idea of implementing minimum safeguards based on the UNGPs and OECD guidelines is crucial. Moreover, the European Social Charter, the EU Charter of Fundamental Rights, the European Convention on Human Rights and the proposed CSDD would also constitute valuable reference points for a social taxonomy. Lastly, activities which are deemed to be significantly harmful, that is, activities which are fundamentally and under all circumstances opposed to any sustainability objectives and leave no way to render them less harmful, should be excluded. Weapons condemned by international agreements, such as cluster bombs or antipersonnel mines, should be included here. The EESC also recommends developing a concept on how to deal with aggressive and belligerent regimes.

#### 4. Opportunities of a social taxonomy

4.1 The EESC highly recommends using the taxonomy's potential to channel investment towards socially sustainable activities and entities and create decent jobs. Well over 20 % of EU citizens are at risk of poverty; the pandemic has exacerbated inequalities and the war in Ukraine will further increase economic and social tensions. Globally, it is estimated that roughly USD 3,3 to 4,5 trillion a year needs to be mobilised to achieve the SDGs. Goods produced by violating labour-related human rights are linked to the EU market to which they are imported. In the EU, there is also a pressing need for social investment, for example in poverty reduction, life-long learning and health<sup>(9)</sup>. The minimum gap in social

<sup>(8)</sup> Directive on adequate minimum wages in the EU, Article 4(2), provisional agreement. The 80 % collective bargaining coverage threshold set there for requiring Member States to take measures to increase the rate should be supported in a social taxonomy.

<sup>(9)</sup> Final Report on Social Taxonomy (europa.eu)

infrastructure investment was estimated at around EUR 1,5 trillion from 2018 to 2030<sup>(10)</sup>. The EESC calls on the Commission to provide an updated estimate of investment needs in order to comply with the European Pillar of Social Rights and achieve the 2030 EU headline targets. Considerable public and private funds are needed to enforce social sustainability.

4.2 With the help of a social taxonomy, investors and companies could assess the social impact of their investment or activity and voluntarily consider this as an essential objective. The EESC points to the rising demand for socially orientated investment and embraces investors' openness to socially sustainable finance. In contrast, there is a lack of definition and standardisation, and analysis of ESG ratings and related outputs also reveals fundamental differences depending on the provider of the ratings, which makes socially sustainable investment difficult. A social taxonomy would constitute a coherent concept for defining and advancing social sustainability and measuring progress. It has the potential to enhance accountability and to provide clear guidance. It would therefore decisively support investors' ambitions and might constitute incentives for further market participants to invest in this area, while at the same time helping to prevent social washing.

4.3 Socially harmful activities might also translate into economic risks. There are risks of boycotts if a business is associated with the violation of human rights, and a company runs the risk of being excluded from public contracts should it neglect human-rights due diligence. It could also become entangled in expensive litigation due to human rights abuses, or supply chains could be disrupted due to strikes. The economic and political risks due to a growing gap between rich and poor could also afflict investments. This set of risks could be minimised by investment decisions based also on a social taxonomy. The EESC also draws attention to the ECB's work on strengthening the monitoring and management of systemic risks due to the neglect of sustainability factors. The EESC highlights that environmental risks are often accompanied by social risks, for example where people lose their homes due to a flood. All in all, social sustainability risks should be explicitly addressed and be part of the ECB's action on sustainability risks.

4.4 The EESC further points out that transparency is an essential element of market efficiency. This refers not only to capital markets. A social taxonomy could also serve as a tool to support a balance between economic freedoms and social and labour rights<sup>(11)</sup>. By enhancing transparency, it might contribute to the social internal market as set out in Article 3 TFEU and promote fair competition. Moreover, the social taxonomy would also foster a level playing field and increase the visibility of companies which abide by human and workers' rights and substantially contribute to social sustainability, helping them to attract investors. The taxonomy's potential transformative role would be enforced by making it more widely known. In that context, the EESC again points to the positive role that financial instruments can play in the development of social impact companies<sup>(12)</sup>.

4.5 Finally, the EU has established itself as a leader in environmental sustainable finance internationally and is actively contributing to this global effort. The EESC welcomes these efforts, but reminds the Commission of the need to also advance social sustainability and promote the SDGs. Also in the context of social sustainability, the EU should strive to serve as a role model and become a front runner by raising the topic in international forums. Particularly in times of war and international tensions, an international sustainable finance architecture also has to take on board social sustainability.

## 5. Challenges and possible solutions

5.1 Financial investors' intentions to conduct socially and environmentally sustainable investments are highly welcome and must be supported. However, financial market participants in general base their investment decisions on expectations about return, risk, liquidity and maturity. These motives might contradict the interests of other stakeholders and counter or even outperform environmental or social objectives. However, the EESC also points to many possible synergies between investors' and other stakeholders' interests, for example when improvements in workers' participation enhance companies' productivity or when an economic activity contributes to the wellbeing of communities. In any case, economic activities or

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<sup>(10)</sup> European Commission, Boosting Investment in Social Infrastructure in Europe, Discussion Paper 074/January 2018.

<sup>(11)</sup> OJ C 275, 18.7.2022, p. 50.

<sup>(12)</sup> OJ C 194, 12.5.2022, p. 39.



entities which might not be taxonomy-conformant must not automatically be deemed harmful. In that context, concerns about market foreclosure arise, and the EESC asks the Commission for clarification and a well balanced approach. The focus on the impact of sustainable investment on real economy activities should be enhanced.

5.2 Incompatibilities might arise because social matters are regulated at Member State level and between social partners, while organised civil society as a whole strives to be involved in social, environmental and other policy matters. However, the EESC welcomes the Platform's report regarding the risks of infringements of other regulations, and also assumes that the Commission's proposal will take care to avoid contradictory overlaps and interference with national social systems, industrial relations and regulations. Moreover, a social taxonomy would rely on common international and European declarations and principles — such as the European Pillar of Social Rights — and constitute a basis for voluntary decision making without stipulating a particular social policy. However, any broader use of the taxonomy as referred to above must be subject to an appropriate decision-making process. Undue interference with national legislation and the autonomy of social partners has to be prevented, and differences in national labour-market models and collective bargaining systems have to be recognised.

5.3 Developing a social taxonomy, and therefore a structured overview of socially sustainable activities and sectors, also touches on political values. It will be challenging to define which economic activity and/or sector is deemed taxonomy-conformant. However, this is exactly the reason why drawing up a taxonomy should be subject to a political debate and democratic decision making<sup>(13)</sup>. Only under these conditions can a common idea of social sustainability be developed which individual actors could and should rely on and refer to. The EESC highlights that in the social sphere as well, the success of the taxonomy depends on its broad acceptance. The activities and sectors included must meet a widely accepted definition of sustainability and be based on generally recognised values, such as human dignity, gender equality, fairness, inclusion, non-discrimination, solidarity, affordability, well-being and diversity. Safeguarding the taxonomy's credibility is key in order not to jeopardise the project as a whole.

5.4 Further concerns are that a social taxonomy might lead to an overburdening of companies with additional reporting requirements and the need to provide complex and difficult information combined with expensive auditing procedures. The EESC calls on the Commission to minimise these burdens and to draw up simple and easily observable criteria, while also building on overlaps with other reporting requirements. The EESC welcomes the Platform's approach to structuring the objectives of the social taxonomy in a similar way to the proposed structure of the CSRD. All in all, the EESC calls for an orderly and consistent set of rules without excessive complexity and duplication so that it works in practice, while also providing the necessary amount of transparency. Counselling and the supply of taxonomy-related services by a specialised legally authorised agency for companies and other organisations which want to become taxonomy-conformant might also be useful. This would also ensure that companies with fewer reporting resources have access to the taxonomy. However, financial institutions can still provide assessments of the social impact of investments as currently done by value-based banks worldwide.

5.5 Although the aim of the taxonomy is to provide a reliable framework for socially sustainable investment, the danger of green or social washing cannot be excluded. The EESC agrees with the Platform that merely checking commitments and policies does not ensure effective implementation and safeguard human rights, nor does it support the development of socially sustainable activities. There are severe difficulties in supervising and enforcing a company's compliance with the proclaimed social sustainability objectives and in assessing its performance along today's often highly complex supply chains. On the other hand, the Platform points to promising developments in the field of quantifiable social data, such as in the context of the revised Social Scoreboard and the SDGs. All in all, the social taxonomy must be transparent, reliable and constantly updated. The EESC also proposes that workers' councils and civil society organisations, for example, be taken on board in these regards.

5.6 The EESC proposes that the debate on an EU ratings agency, which might now focus on sustainability, should be relaunched and thereby consolidate the EU's pioneering role in this field. It also renews its call for financial and extrafinancial data providers to be properly regulated and supervised. Complaint mechanisms for trade unions, workers councils, consumer organisations and other representatives of organised civil society should be provided for in the event of

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<sup>(13)</sup> See above Chapter 3.

false claims of taxonomy conformity. The EESC acknowledges that in the Regulation, the measures and penalties applicable to infringements are left to the Member States. In any case, the competent national authorities <sup>(14)</sup> should be made more responsible to carry out their control tasks, supplemented with obligations to report to their parliaments and civil society.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(14)</sup> See Taxonomy Regulation, Article 21.

**Opinion of the European Economic and Social Committee on Climate Adjustment Fund  
financed by Cohesion and NGEU (own-initiative opinion)**

(2022/C 486/04)

Rapporteur: **Ioannis VARDAKASTANIS**

Co-rapporteur: **Judith VORBACH**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Economic and Monetary Union and Economic and Social
Adopted in section	9.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	139/3/3

## 1. Conclusions and recommendations

1.1. The European Union (EU) is taking significant steps towards tackling climate change and reducing greenhouse gas (GHG) emissions. EU climate, environmental and energy policies have a long-term plan to help prevent the worst impacts of the climate emergency our planet is facing. However, this might still be insufficient.

1.2. While the EU's commitment is significant, the consequences of climate change and resource scarcity are sadly already making themselves known. We are therefore having to adjust to a reality we have not experienced before. While the EU is rightly committed to avoiding a worsening of the situation, we are nevertheless unprepared for unforeseen climate emergencies, energy crises and natural disasters.

1.3. Since 2021, we have experienced two very notable emergencies that EU funding mechanisms have shown themselves to be ill-equipped to respond to. The first is the destruction caused by the floods and wildfires seen throughout Europe during the summer of 2022. The second is the ongoing energy crisis and need for EU energy autonomy brought about by Russia's invasion of Ukraine in 2022.

1.4. The EU's current mechanism for responding to natural disasters is the European Union Solidarity Fund (EUSF). However, the EUSF's available annual budget is dwarfed by the cost of the damage caused by recent natural disasters and needs to be drastically increased. EU funding for the green energy transition is more substantial, but does not take into account the urgency of the EU's current need for energy autonomy and the huge risk of energy poverty, as outlined in the EESC's opinion on *Tackling energy poverty and the EU's resilience: challenges from an economic and social perspective* <sup>(1)</sup>.

1.5. It is the view of the EESC that the EU needs a new funding mechanism that can offer immediate and ambitious assistance to help the Member States in emergencies such as those indicated above. The EESC therefore proposes creating a new Climate Adjustment Fund. This funding should be redirected from existing EU funds, notably from the Cohesion Fund and the Recovery and Resilience Facility (RRF), but managed in a streamlined and coherent way through this new Fund.

<sup>(1)</sup> <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/tackling-energy-poverty-and-eus-resilience-challenges-economic-and-social-perspective> (See page 88 of this Official Journal).

1.6. Modernisation of the funding environment could also include broadening the scope, stepping up existing programmes, and considering Next Generation EU (NGEU) as a template for a new funding tool.

1.7. In light of the significant investment needs, the EESC also advises the Commission to look into bolstering the Climate Adjustment Fund by encouraging private investment and contributions. Regarding natural disasters specifically, the Commission and the Member States should also make efforts to increase and facilitate insurance coverage and use the insurance system as a means to direct financing toward improving climate change resilience, particularly in at-risk areas, in order to reduce reliance on EU funding support.

1.8. The Climate Adjustment Fund must be adaptive, flexible, and ready to respond to new and emerging crises in the years and decades to come.

1.9. It is crucial that the functioning of the Climate Adjustment Fund, with its greater focus on swift and urgent responses, be coherent with the EU's overarching climate, environmental and energy policies, which in the long-run will reduce reliance on emergency responses and protect humanity as well as the natural world.

## 2. General comments

2.1. The EESC acknowledges that tackling the climate crisis is in line with the EU's commitments made under the European Green Deal to implement the Paris Agreement and the Sustainable Development Goals (SDGs). While curbing the causes of climate change should be at the forefront of EU climate policy, the EESC stresses the need to have, in parallel to plans for GHG reduction, robust and streamlined funding mechanisms available to tackle the climate and energy emergencies the people of the EU are already facing.

2.2. The EESC's vision is for a new Climate Adjustment Fund, a proposal supported by several Members of the European Parliament<sup>(2)</sup>. This mechanism should be resourced using existing money from Cohesion funding and the RRF, concentrated into a single fund that will improve efficiency and response times and facilitate centralised monitoring of where funding is most needed. It should reinforce the EU's ability to support the Member States in responding quickly to climate, environmental and energy emergencies. In the current context, it would serve to address two of the most noticeable emergencies we are currently experiencing: recovery from increasingly frequent natural disasters, and the urgent need for a green energy transition and movement towards European energy autonomy, albeit with flexibility to meet crises arising in the future.

2.3. EU funds are already being directed towards the energy transition and disaster recovery; however, various issues are impeding their effectiveness. The existing European Union Solidarity Fund (EUSF), set up to help communities recover from natural disasters, is simply not large enough to respond to the scale of modern climate disasters. Funding for the energy transition is more ambitious, but still far from being enough. In addition, it is managed through a number of different funds, with the risk of incoherence or overlap, and in a way that mixes imminent objectives with more long-term goals on fighting climate change. The need to increase the EU's energy autonomy due to Russia's invasion of Ukraine has underlined the extent to which our energy dependency on hostile countries weakens our ability to react decisively in the face of international events.

2.4. The EESC therefore calls for the creation of a Climate Adjustment Fund, serving the specific purpose of responding to imminent environmental, climate and energy emergencies, and helping the EU adjust to a new reality in which such crises are sadly becoming ever more common. The Climate Adjustment Fund should serve as a funding reserve, ready to spring into action during times of acute investment needs.

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<sup>(2)</sup> Regional development MEPs suggest to set up a Climate Change Adaptation Fund | News | European Parliament

2.5. The fund must offer the flexibility and robustness needed for quick and ambitious investment in meeting the EU's immediate needs, while remaining consistent with long-term climate and energy policies. It should draw together a share of Cohesion funding currently earmarked for climate issues, the existing EUSF, and a share of the RRF funding earmarked for environmental reforms. Having these resources concentrated into a single fund with a clear focus on urgent action will improve the efficiency of the response and facilitate monitoring of the most pressing investment needs. It should improve the ability to get the money to where it is needed without delay.

2.6. Modernisation of the funding environment could also include broadening the scope and stepping up existing programmes. Given the common interest and the urgent need to combat climate change and its catastrophic consequences, the EESC also stresses the need for an improved funding method in the future. Even if a golden rule for green investments was to be — quite rightly — implemented, some Member States may still not have the capacity to raise the massive amounts of investment needed without jeopardising their fiscal sustainability. Therefore, the EESC also recommends considering Next Generation EU (NGEU) as a template for funding the Climate Adjustment Fund. Grants and/or loans from this fund should be unlocked on the condition that the Member State or region receiving them invests in tackling climate change or its consequences, for example by making subsequent investments in renewable and decarbonised energy. Any such policy measures must be linked to mandatory involvement of the social partners and civil society organisations and the partnership principle enshrined in cohesion policy must be respected.

2.7. The EESC draws attention to the fact the Climate Adjustment Fund alone will not be enough to deal with the consequences of natural disasters and cover the costs of adaptation to climate change to enable better resilience. In that connection, the EESC draws attention to the 'climate protection gap', i.e. the share of non-insured economic losses caused by climate-related disasters. Insurance coverage against natural disasters remains low in Europe, with only around 35 % of losses due to natural disasters between 1980 and 2017 having been insured<sup>(3)</sup>. It is therefore important to examine and promote disaster insurance in the Member States and promote national insurance schemes that encourage users to invest in adaptation, reducing the strain on EU funds and encouraging proactive investment. Dialogue between stakeholders and innovation regarding insurance products can develop novel risk transfer solutions within the insurance and reinsurance system, while prioritising financial market stability and consumer protection<sup>(4)</sup>. This would improve the capacity of the Climate Adjustment Fund to be able to meet the challenges ahead of it.

2.8. EU funds also have an important role as seed money to attract private investment including in adaptation to improve resilience to climate change.

### 3. The Climate Adjustment Fund as a tool for disaster recovery and preparedness

3.1. An interinstitutional EU study illustrates the urgency of tackling the climate catastrophe in clear words: 'An increase of 1,5 degrees is the maximum the planet can tolerate; should temperatures increase further beyond 2030, we will face even more droughts, floods, extreme heat and poverty for hundreds of millions of people; the likely demise of the most vulnerable populations'<sup>(5)</sup>.

3.2. It is starting to emerge that we are vastly underprepared for the challenges climate change poses. In 2021, the EU Member States experienced unprecedented destruction due to natural disasters, ranging from fatal floods in Germany and the Benelux, to catastrophic wildfires in Greece and Spain. In the face of the climate crisis, and together with other sources of environmental degradation, it is likely that destruction and natural disasters will become the norm rather than the exception. The more that effective measures to tackle the climate crisis and environmental degradation are postponed, weakened or averted, the higher the risks will become.

<sup>(3)</sup> Economic losses from climate-related extremes in Europe — European Environment Agency.

<sup>(4)</sup> Forging a climate-resilient Europe — the new strategy on adaptation to Climate Change, COM(2021) 82 final, section 2.2.3 and Strategy for financing the Transition to a Sustainable Economy COM(2021) 390 final, Sections II and III, Action 2 c, European Insurance and Occupational Pensions Agency (EIOPA) dashboard on insurance protection gap and discussion paper.

<sup>(5)</sup> ESPAS\_Report.pdf, p. 8.

3.3. At least 240 people lost their lives in the floods that hit western Europe in the summer of 2021 <sup>(6)</sup>, with countless more displaced and losing their homes. In Greece, no fewer than 500 wildfires were recorded during a heatwave that hit the country <sup>(7)</sup>.

3.4. Not only was the scale of the destruction and loss of life due to environmental disasters in 2021 unprecedented, so too was the financial cost to the communities affected. In western Europe, the floods were estimated to have caused EUR 38 billion worth of damage <sup>(8)</sup>. In Greece, the prime minister was obliged to approve a EUR 500 million aid package for the island of Evia, the region worst affected by the fires <sup>(9)</sup>.

3.5. No part of the globe is free from the increasing dangers of natural disasters. Likewise, no EU Member State is well enough equipped to overcome such massive challenges — either in terms of resources and material to deal with droughts, wildfires and floods, or in terms of the funding needed to help the affected areas recover.

3.6. Investment from the Climate Adjustment Fund to respond to natural disasters should work to complement ongoing spending from the European Structural Investment Funds on disaster preparation and prevention. There is a need for huge investment to create resilience against the impacts of climate change, for example investment in the construction of dykes, flood-resistant buildings, protection against coastal erosion, equipment to monitor and contain wildfires, and technology to help save and store fresh water in areas affected by droughts, among other things. While structural investment funds should work *ex ante* to reduce possible damage, the Climate Adjustment fund should be there to respond quickly in cases where such preventative measures have not succeeded in warding off certain damage.

3.7. The EESC highlights that the predicted repercussions of the climate crisis require a much more robust support mechanism than the one currently in place. The total budget of the EUSF is limited to a total of EUR 500 million per year <sup>(10)</sup>. Since its implementation in 2002, the EUSF has supported 28 different European countries, providing over EUR 7 billion <sup>(11)</sup>. This is impressive, but would by no means be enough to cover the costs of damage due to natural disasters in 2021 alone.

3.8. In cases of natural disasters, we see an increased risk of loss of life among certain groups who cannot easily evacuate the affected areas. This is notably the case for older people, persons with disabilities, and children. Investments need to be targeted to ensure that emergency services have the material and back-up of additional rescue workers to assist all people requiring particular attention. People with fewer resources are also less able to evacuate because of the cost involved in finding alternative accommodation and their limited access to means of personal mobility. This should be something the Climate Adjustment Fund seeks to address.

#### 4. The Climate Adjustment Fund as a route to the green energy transition

4.1. It is the EESC's view that climate adjustment is also about adjusting to a new reality of sustainable energy production. Due to recent developments, the EU faces huge and urgent challenges regarding energy independence which were not foreseen when the Multiannual Financial Framework (MFF), NGEU and the Economic Governance framework were drawn up. Referring to the Commission's *REPowerEU* plan <sup>(12)</sup> and the Conclusions of the European Council, the EESC fully agrees that, following Russia's invasion of Ukraine, the case for energy independence has never been stronger, including the development of renewables.

4.2. The EESC stresses the need to focus on the role that green and decarbonised energy technologies, improving energy efficiency and reducing energy demand can play in increasing the provision and affordability of energy in the EU. This will help protect against price hikes, which impede economic growth, exacerbate inequalities, provoke energy poverty, enhance production costs and hamper the EU's competitiveness. In particular, the EESC welcomes the acceleration of the deployment of innovative hydrogen-based solutions and cost-competitive renewable electricity in the industry.

<sup>(6)</sup> <https://www.brusselstimes.com/belgium-all-news/199487/europes-summer-floods-amount-to-worlds-second-most-costly-natural-disaster-of-2021>.

<sup>(7)</sup> <https://www.reuters.com/world/europe/greece-starts-count-cost-after-week-devastating-fires-2021-08-09/>.

<sup>(8)</sup> Europe's summer floods amount to world's second-most costly natural disaster of 2021 (brusselstimes.com).

<sup>(9)</sup> <https://www.reuters.com/world/europe/greece-starts-count-cost-after-week-devastating-fires-2021-08-09/>.

<sup>(10)</sup> EU Solidarity Fund.

<sup>(11)</sup> [https://ec.europa.eu/regional\\_policy/en/funding/solidarity-fund/](https://ec.europa.eu/regional_policy/en/funding/solidarity-fund/).

<sup>(12)</sup> *REPowerEU plan*, COM(2022) 230 final.



4.3. The need to invest urgently and ambitiously in the movement towards greener forms of energy produced within the EU is more important than ever. While green energy production and energy autonomy should always be a long-term goal for the EU, the immediate context sees the EU in urgent need of affordable energy provision from alternative sources, without compromising on its energy goals. The urgent investment needs to provide affordable energy from alternative sources for citizens could be addressed by the Climate Adjustment Fund more effectively and efficiently than existing mechanisms.

4.4. The EESC observes with increasing clarity that energy dependency is a causal factor in weakening the EU's responses to countries such as Russia, as seen clearly in the EU's response to the invasion of Ukraine. Current overdependency on Russian gas severely undermines the ability of the EU and its Member States to take swift action without putting its own citizens at risk of fuel shortages and energy poverty. Unfortunately, plans to procure natural gas from the USA do not offer a sustainable or environmentally responsible solution<sup>(13)</sup>.

4.5. The Climate Adjustment Fund should serve as a means of funding our urgent need for EU-produced green and decarbonised energy, with ambitious procurement of existing technologies and investment in developing new technologies to achieve a zero-emission economy. The EESC urges that the war in Ukraine must not lead to the EU's mission of accomplishing environmental and social goals being neglected, as these form the basis for building economic strength in the long run.

4.6. In the context of reducing energy consumption, progress varies markedly between the Member States. In 2018, only 11 of the 27 Member States had lowered total domestic energy demand below their 2020 target. All in all, the EU is far from reaching its 2030 targets, implying the need for additional efforts. Fortunately, the share of renewables in gross final consumption of energy in the EU has risen steadily. The Fit for 55 package has proposed reaching a share of 40 % of renewables in energy consumption by 2030. While the share of renewables in energy consumption also varies substantially across the EU, so too does the capacity to produce renewable energy, owing to budgetary restrictions and geography. In some countries, installed photovoltaic capacity per head is quite low despite high potential in this field. Other countries achieve a high share of renewable energies due to the favourable geographical possibilities for hydropower plants.

4.7. Stepping up efforts towards the green energy transition will go hand in hand with new funding needs, and will have to be done urgently in light of the energy crisis and the growing need for EU energy autonomy. Boosting the Fit for 55 proposals with higher targets and earlier deadlines for renewable energy, for example by rolling out solar and wind energy and improving energy efficiency, will require a robust funding response. The Commission announced its intention to assess these financing needs in the context of the *REPowerEU* proposals<sup>(14)</sup>, based on a mapping of needs in the Member States as well as requirements for cross-border investment. The EESC welcomes this, but also points to the concern that the current financing tools at EU and national level will not be sufficient and that action is needed to make renewable energy a solution now. Climate Adjustment Fund expenditure on renewable energies should also be boosted by attracting private investment, with the fund acting as a provider of seed money.

4.8. Scaling up investment to improve the EU's energy autonomy should be done in line with a focus on the green and renewable energy transition. In order to succeed, in addition to more immediate investments by way of the Climate Adjustment Fund, the EU will require significant long-term investments in research and innovation and new ways of producing and consuming, in order to improve our ability to offer clean and affordable energy to all. The EU's research and innovation agenda is already showing considerable commitment to this goal, with the potential to make noticeable progress. However, this emphasis on research must be matched by a commitment by the Member States to adopt greener forms of energy production and their ability to transition away from more traditional means of energy production, particularly in Member States that still have a strong reliance on coal.

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<sup>(13)</sup> U.S., EU strike LNG deal as Europe seeks to cut Russian gas | Reuters.

<sup>(14)</sup> COM(2022) 230 final.

4.9. While the EESC welcomes the existing funding dedicated to climate policy in the MFF and the NGEU, it also highlights that the most immediate environmental threats to people in the EU have changed since they were drawn up and that new approaches are needed. In addition to the creation of this new fund, the EESC asks the Commission to review the funding environment in order to identify financing gaps and additional funding needs regarding various aspects of climate policy.

## **5. Ensuring the robustness of existing EU climate and energy policies and the complementarity of the Climate Adjustment Fund**

5.1. The Climate Adjustment Fund would respond to a very specific unmet need in terms of EU funding, which is to say having sufficient funding available for swift responses to climate, environmental and energy emergencies. However, this fund must be consistent and coherent with the EU's overarching policies in these areas.

5.2. The climate crisis is a systemic issue that transcends boundaries, meaning there is a need for systemic change to how our economy works and making it crucial that governments commit to systemic solutions instead of just addressing the symptoms of the problem.

5.3. Huge disparities in how individuals and groups are engaged and afflicted exacerbate the problem of climate change. These disparities relate to carbon footprints, with quite significant variation in per capita CO<sub>2</sub> emissions in different EU Member States and regions. We also see disparities in the impacts of climate change, the capacity to adapt and to deal with the challenges and, finally, the impacts of climate policy measures, and the impending significant structural changes.

5.4. Within the EU, climate impacts differ widely within and between Member States, depending on their geography and the state and structure of their economy. For example, while 7 % of the EU population live in areas at high risk of flooding, over 9 % live in areas marked by 120 days without rain.

5.5. Striving for a just transition also requires sustainable social conditions in line with the Sustainable Development Goals (SDG) and the European Pillar of Social Rights. Moreover, the EESC calls for a holistic approach to environmental sustainability and points to the Taxonomy Regulation, which establishes six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

5.6. With an approved budget of over EUR 330 billion in the current programming period, cohesion policy is currently the biggest and most important common investment tool in Europe and therefore plays a crucial role in tackling the climate crisis. The disparities within and between Member States, which cohesion policy has the goal of addressing, are also very likely impacted by climate change and its consequences. For its part, the Recovery and Resilience Plan also places a strong focus on climate. While we see a clear commitment to investment, there is a need to have a clear and structured view of which EU funds are targeted at tackling climate change and how they are managed.

5.7. The EESC also emphasises the need for local and regional authorities to make a clear political commitment to achieving climate targets. There is an urgent need to step up multi-level dialogue among national, regional and local authorities on planning and implementing national measures on climate change at regional and local level, on direct access to funding for local authorities, and on monitoring the progress of the measures adopted. The social partners and organised civil society must be involved in this process in order to safeguard a balanced approach, respecting the interests of all groups.

5.8. The EESC highlights the pivotal role of local, social and regional partners in tackling the consequences of climate change. Unfortunately, the support that many of these actors receive to finance their activities is still far from being enough to meet the challenges they are dealing with. Among other things, the Just Transition Fund needs to be bolstered to offer better support.



5.9. The EESC insists that the transition towards environmental sustainability must be inclusive and in line with the SDGs and the European Pillar of Social Rights. Within this context, key criteria must include safeguarding and creating new, quality green jobs, thus ensuring training and inclusive social measures by developing alternative climate-neutral economic sectors for the regional population. It has to outweigh the potential regressive effects of climate policy measures and structural changes. For example, public procurement and State aid measures for companies should be linked to the creation of quality jobs and be respectful of workers' rights, environmental standards and fiscal obligations. Moreover, vulnerable persons must be protected from the impact of climate change, avoiding energy poverty at all times. Finally, the EESC points to the EU taxonomy's 'do no significant harm' principle, which stipulates that no environmental goals may be harmed through the implementation of various policies.

5.10. Since formal and nonformal education are important mechanisms to combat the climate crisis, it is crucial to invest in accessible education relating to climate change and active citizenship. Education on sustainability is a powerful tool to equip young people with, empowering them to become part of the conversations on the direction concrete climate policy should take. The role of education and training to combat climate change is increasingly recognised.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on Crypto-assets — Challenges and opportunities****(own-initiative opinion)**

(2022/C 486/05)

Rapporteur: **Philip VON BROCKDORFF**Co-rapporteur: **Louise GRABO**

Plenary Assembly decision	24.3.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	9.9.2022
Adopted at plenary	22.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	148/0/3

**1. Conclusions and recommendations**

1.1. Whilst acknowledging the increasing market capitalisation of crypto-assets, the EESC strongly supports the European Commission's proposal for a Regulation on Markets in Crypto-assets (MiCA) which is aimed at regulating crypto-assets within the EU and which resulted in a provisional political agreement of the co-legislators on 30 June 2022 <sup>(1)</sup>.

1.2. The EESC also calls for a robust regulatory and operational framework to improve the financial tracking of transactions and tax compliance of crypto-assets.

1.3. The EESC strongly recommends that authorities should abide by the 'same activity, same risks, same rules' principle. This requires building on existing regulatory frameworks in the case of businesses transacting in crypto-assets where similar risks as those arising in traditional ones need to be covered. The EESC believes this is necessary to avoid asymmetries between analogous services and assets that could fall under different frameworks due to technicalities.

1.4. A regulatory framework for crypto-assets needs to be consistent across jurisdictions and not just within the EU. Standards based on a level playing field should be set within and outside the EU to protect customers. The EESC supports the Transfer of Funds Regulation <sup>(2)</sup> (TFR) although in some aspects this goes further than for traditional finance transactions. However, at the same time, the EESC supports innovation within the EU and it is important that ordinary products based on blockchain technology that are not financial in nature are treated as their physical counterparts and not as financial instruments, following the 'same activity, same risk, same rules' principle.

1.5. The EESC notes with concern the environmental consequences of crypto-assets and related mining activities given the EU's climate commitments as part of the Green Deal and is of the view that despite emerging DLTs such as blockchain that seem to be able to deliver sustainable infrastructure for a low carbon future, there is no conclusive proof that this is the case.

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<sup>(1)</sup> The text is expected to be finalised once approved by COREPER around the end of September 2022 and therefore will most likely not be available before the adoption of this EESC opinion.

<sup>(2)</sup> The TFR is basically the result of the FATF recommendation to create an obligation on payment service providers to accompany transfers of funds with information on the payer and the payee. New technologies such as the ones used in crypto-asset transfers will be covered by the TFR.

1.6. The EESC is of the view that blockchain, as the main underlying technology for crypto-assets, could help address the risks that currently prevail in the market. The potential benefits of blockchain range from real-time transactions allowing risk reduction and better capital management to improved regulatory effectiveness, for example by using blockchain for Know-your-Customer or anti-money-laundering checks.

1.7. The EESC also notes that technological developments can help address existing tax compliance limitations, thus improving transparency and the quality of data sent to the tax authorities for control purposes, addressing tax fraud and illicit transactions.

1.8. Further technological developments in blockchain could also motivate banks to cooperate within the blockchain ecosystem, enabling them to share information and experience with the wider blockchain community via a blockchain-based trade finance platform.

1.9. Finally, the EESC fully supports the role played by the ECB in monitoring developments in crypto-assets and their potential implications for monetary policy and the risks crypto-assets may pose to the smooth functioning of market infrastructures and payments, as well as for the stability of the financial system.

## 2. Background

2.1. Crypto-asset market capitalisation more than tripled in 2021 to USD 2,6 trillion, yet crypto-assets remain a small portion of overall global financial system assets <sup>(3)</sup>. In terms of numbers, crypto-assets compare to some of the established asset classes, though they are nowhere close to the importance of government bonds, stock markets and derivatives. The rapid growth of crypto-assets has attracted several new players in the ecosystem with an increasing number of crypto-assets being offered, some of them referred to as 'virtual currencies' or digital 'coins' or 'tokens'. The most prominent crypto-assets to date include Bitcoin and Ether, which together represent about 60 % of the total market capitalisation of crypto-assets.

2.2. Over the past year, the demand for a class of crypto-assets called stablecoins <sup>(4)</sup> has seen an unprecedented growth aided by developments in technology, notably blockchain. In particular, stablecoins trading volumes have outstripped almost all other crypto-assets mainly because they are heavily used to settle spot and derivatives trades on exchanges. The relative price stability of stablecoins also helps shield crypto-asset holders from the volatility associated with non-stablecoin crypto-assets.

2.3. Decentralised finance or DeFi <sup>(5)</sup> based on blockchain technology and providing financial services using stablecoins and other crypto-assets is one of the main reasons for the increase in demand for crypto-assets, since it has allowed users to trade crypto-assets without an intermediary. There is also no need for a credit risk evaluation of the client during a transaction. Interestingly, such transactions involve mainly institutional players from developed economies where stablecoins are commonly transacted <sup>(6)</sup>.

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<sup>(3)</sup> Assessment of risks to financial stability from crypto-assets.

<sup>(4)</sup> Liao and Caramichael, 'Stablecoins: Growth potential and impact on banking', International Finance Discussion Papers No 1334, Washington: Board of Governors of the Federal Reserve System (2022).

<sup>(5)</sup> DeFi basically means the provision of financial services in a decentralised way, i.e. without the use for an intermediary to facilitate the provision of the financial service. Once developed by individuals, DeFi applications are deployed on the blockchain and gradually take on a life of their own as governance is ceded to the user community. The ultimate form of a DeFi application is a decentralised autonomous organisation (DAO). This comes into contrast with the traditional financial system, which relies on centralised intermediaries that control access to financial services. The use of blockchain technology alone does not make something DeFi, it is rather the absence of intermediaries (made possible by i.e. blockchain) that leads to DeFi.

<sup>(6)</sup> Chainalysis (2021)

2.4. Blockchain or distributed ledger technology (DLT) can be described as one big public file that is shared and stored across a huge network of computers containing all the transactions in crypto-assets. As it is publicly shared and its contents validated, it is not possible to reverse or alter the transaction. Hence, the public file produced as a consequence of DLT use precludes fraudulent transactions.

2.5. During the peak of the COVID-19 crisis, a time of market stress, the value of Bitcoin peaked at USD 10 367,53 in mid-February 2020, dropping to USD 4 994,70 in mid-March of the same year. However, the sharp rise and fall in value had little to do with the pandemic and its effect on the share market <sup>(7)</sup>. The seemingly erratic behaviour of Bitcoin's value is a result of the phenomenon miners and experts refer to as 'halving'. Bitcoin halving occurs every four years, or every time 210 000 blocks are mined. It occurred in 2012 and showed the same predictable fluctuations in Bitcoin prices. This pattern has not changed much since 2012.

2.6. As things stand, crypto-assets do not appear to pose a material risk to financial stability, as confirmed by the Financial Stability Board (FSB) in its 2018 report. That said, the FSB itself expressed concerns about the risks that increased market capitalisation could bring, particularly risks regarding investor confidence, risks arising from the direct and indirect exposure of financial institutions, and risks from the use of crypto-assets for payments and exchanges.

2.7. The same concerns have been expressed by the European Supervisory Authorities (EBA, ESMA and EIOPA) who have warned consumers that many crypto-assets are highly risky and speculative, and are not suited for most retail investors or as a means of payment or exchange. Their view is that consumers face the very real possibility of losing all their invested money if they buy high-risk crypto-assets. They also warn that consumers should be alert to the risks of misleading advertisements, including *via* social media and influencers. Consumers should be particularly wary of promised fast or high returns.

2.8. Direct connections between crypto-assets and systemically important financial institutions and core financial markets, while growing rapidly, are limited at the present time. Nevertheless, institutional involvement in crypto-asset markets, both as investors and service providers, has grown over the last year, albeit from a low base. If the current trajectory of growth in scale and interconnectedness of crypto-assets to these institutions were to continue, this could have implications for the global financial system.

2.9. The growth in scale and interconnectedness of crypto-assets reinforces the need and importance for crypto-assets to undergo consistent, comparable, and objective audits with the objective to report on the accuracy and completeness of financial information being reported to the public. Against this background, in September 2020, the European Commission presented a legislative proposal to harmonise and legitimise cryptocurrency regulation in crypto-assets <sup>(8)</sup>. The proposal provides a comprehensive framework for the regulation and supervision of issuers and offerers of crypto-assets and crypto-asset service providers with a view to protecting consumers and the integrity and stability of the financial system. A provisional political agreement has been reached between the co-legislators on 30 June 2022. The final legislative text is expected to be published and enter into force in the coming months. The EESC's position on this is contained in its opinion on *Crypto-assets and distributed ledger technology* <sup>(9)</sup>.

### 3. Risks posed by crypto-assets

3.1. The rapid growth of crypto-assets has generally been characterised by poor operational set-up, weak cyber risk management and weak governance frameworks. A combination of all three increases the risks for clients, with cybersecurity being an issue in the field of crypto-assets. Stolen crypto-assets typically find their way to illegal markets and are used to fund further criminal activity. Along the same lines, in the context of ransomware attacks, criminals often ask

<sup>(7)</sup> See Sajeev, K.C., Afjal, M. 'Contagion effect of cryptocurrency on the securities market: a study of Bitcoin volatility using diagonal BEKK and DCC GARCH models'. *SN Bus Econ* 2, 57 (2022).

<sup>(8)</sup> Proposal for a regulation of the European Parliament and of the Council on markets in crypto-assets, and amending Directive (EU) 2019/1937, COM(2020) 593 final, 24.9.2020.

<sup>(9)</sup> OJ C 155, 30.4.2021, p. 31.

victims to pay the ransom in cryptocurrencies such as Bitcoin<sup>(10)</sup>. The Regulation on Digital Operational Resilience for the financial sector (DORA), recently agreed by the co-legislators and currently in the process of being finalised in order to be published, provides uniform requirements concerning the security of network and information systems supporting the business processes of financial entities, including crypto-asset service providers, which is necessary to achieve a high common level of digital operational resilience.

3.2. The crypto-assets ecosystem is also exposed to some degree of concentration risk with trading dominated by a relatively small number of entities<sup>(11)</sup>. A study found that less than 10 000 people worldwide collectively owned 4,8 million Bitcoins<sup>(12)</sup> — nearly a third of the 18,5 million Bitcoins mined thus far. The latter carried a market value of nearly USD 600 billion. The situation has not changed much. The Bitcoin ecosystem is still dominated by large and concentrated players, be it large miners<sup>(13)</sup>, Bitcoin holders or exchangers. This concentration makes Bitcoin susceptible to systemic risk, and also implies that the majority of the gains from further adoption are likely to fall disproportionately to a small set of participants<sup>(14)</sup>.

3.3. In its latest report<sup>(15)</sup>, the FSB states that market systems such as banking have been largely shielded from the volatility of crypto-assets. However, the FSB warns about the increasing importance of digital assets in the operations of financial institutions. Were a major stablecoin (used extensively for payments) to fail, this could further impact financial stability, at a time of growing uncertainty because of the war in Ukraine, with persistently high commodity prices. A failing stablecoin could also lead to liquidity shortages within the broader crypto-asset ecosystem, thus limiting trading volumes.

3.4. As noted in a previous opinion<sup>(16)</sup>, the EESC fully supports efforts in the EU to increase supervision of crypto-assets. However, due to their perceived anonymity, crypto-assets may still fall prey to criminal intent despite improvements in their tracking. Crypto-assets have also recently featured most heavily as the preferred currency of cyber attackers, who use ransomware to hack into systems and then demand Bitcoin payments in return for not destroying or leaking the company's valuable data. Moreover, there has been an increase in reports of crypto-Ponzi schemes. The ECB also claims that cryptocurrencies are being used to evade sanctions imposed on Russian oligarchs because of the war in Ukraine<sup>(17)</sup>. The risk of misusing crypto-assets to circumvent the sanctions against Russia is an important reminder that these markets must be required to comply with the required standards, including information about investors, anti-money laundering and disclosure requirements.

3.5. Misleading information and a lack of transparency is another cause of great concern. Some crypto-assets are aggressively advertised to the public, using marketing material and other information that may be unclear, incomplete, inaccurate or purposefully misleading, overstating the potential gains while overlooking the risks involved. Marketing is often done through influencers on social media who do not disclose whether they have a financial incentive to market certain crypto-assets, particularly the recent rise in non-fungible token art (NFT art) linked to various celebrities and sportspeople.

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<sup>(10)</sup> Crypto-assets: Key developments, regulatory concerns and responses.

<sup>(11)</sup> It is pertinent to highlight that the degree of concentration risk is in relative terms and limited to the crypto-assets ecosystem. It has no bearing on the concentration of wealth as described in, for example, the Forbes World's Billionaires List.

<sup>(12)</sup> Makarov, I., Schoar, A., *Blockchain Analysis of the Bitcoin Market* (April 18, 2022).

<sup>(13)</sup> Crypto mining is the process of creating individual blocks added to the blockchain by solving complex mathematical problems. The purpose of mining is to verify cryptocurrency transactions and show proof of work, adding this information to a block on the blockchain, which acts as a ledger for mining transactions.

<sup>(14)</sup> Makarov, I., Schoar, A., *Blockchain Analysis of the Bitcoin Market* (April 18, 2022).

<sup>(15)</sup> Assessment of risks to financial stability from crypto-assets.

<sup>(16)</sup> EESC opinion on *Crypto-assets and distributed ledger technology* (OJ C 155, 30.4.2021, p. 31).

<sup>(17)</sup> ECB President Christine Lagarde says that cryptos are being used to evade sanctions imposed on Russia.

3.6. The EU supervisory authorities believe that the extreme price fluctuations of crypto-assets pose a great risk to investors, although similar risks could also arise in global stock market fluctuations. In fact many crypto-assets are subject to sudden and extreme price swings rendering them highly speculative, with prices mainly dependent on investor demand. Extreme price swings raise fresh doubts over the future of cryptocurrencies as an asset class.

3.7. Worryingly in the case of crypto-assets, investors often find it almost impossible to assert claims for damages or other legal claims for say, misleading information, particularly because until now these assets do not fall under the existing protection of the current EU regulations for financial services. Investors are also not protected by the banks' deposit guarantee schemes since they only cover currency and not crypto-assets, stocks or bonds.

3.8. From an EU perspective, with the eventual entry into force of MiCA, the lack of harmonisation among Member States that currently prevails should be addressed. As for taxation, diverse approaches apply across Member States, and several charge capital gains tax on crypto-asset-derived profits at rates of 0-50 %. In 2020, with the adoption of the digital finance package, aimed at regulating Fintech, the EU recognised the potential of digital finance in terms of innovation and competition, while mitigating the risks arising from it.

3.9. The EESC calls for an effective regulatory and operational framework to improve the tracking of transactions and tax compliance of crypto-assets. Whilst recognising the problems caused by the lack of centralised control for crypto-assets, its pseudo-anonymity, valuation difficulties, hybrid characteristics and the rapid evolution of the underlying technology, the EESC is of the view that tax compliance based on a symmetrical approach is achievable. A recent study<sup>(18)</sup> reported that the tax revenue potential from capital gains from Bitcoin within the EU totalled EUR 850 million in 2020, which underscores the significant potential tax gains that can be reaped from this sector. This assumes, of course, that income derived from crypto-assets should be subject to taxation, much like traditional financial instruments. Again, this requires proper enforcement of tax obligations based on proper reporting and access to data provided to tax administrations. An added benefit of improved tracking in real time of business sales would be an enhancement to the VAT collection process.

3.10. It is pertinent to point out that some crypto-assets may qualify as financial instruments within the scope of the Markets in Financial Instruments Directive II (MiFID II), or qualify as electronic money within the E-money Directive (EMD), or as funds under the Payment Services Directive 2 (PSD 2). The problem is that some Member States have put in place bespoke rules at national level for crypto-assets that fall outside current EU regulations, leading to regulatory fragmentation. This distorts competition in the Single Market, making it more difficult for crypto-asset service providers to scale up their activities across borders, giving rise to regulatory arbitrage.

3.11. Whereas the EESC agrees that a holistic approach to target both crypto-assets that could qualify as existing financial instruments as well as crypto-assets that currently fall outside the regulatory perimeter is the preferred approach, the EESC strongly recommends that authorities abide by the 'same activity, same risks, same rules' principle. This requires building on existing regulatory frameworks in the case of businesses transacting in crypto-assets where similar risks as those arising in traditional ones need to be covered. The EESC believes this is necessary to avoid asymmetries between analogous services and assets that could fall under different frameworks due to technicalities. Also, any innovation in crypto-assets needs to be followed up by an effective regulatory response to mitigate risks.

3.12. Finally, the environmental consequences of crypto-assets and related mining activities are hugely important, given the EU's climate commitments as part of the Green Deal. A recent study by the Central Bank of the Netherlands (2021) reports that the carbon footprint of the Bitcoin network is increasing, with a total electricity usage of the network comparable to the electricity usage of the Netherlands and a resulting environmental cost of EUR 4,2 billion<sup>(19)</sup>. That said, it

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<sup>(18)</sup> Thiemann, A. (2021), *Cryptocurrencies: An empirical View from a Tax Perspective*, JRC Working Papers on Taxation and Structural Reforms No 12/2021, European Commission, Joint Research Centre, Seville, JRC126109.

<sup>(19)</sup> Trespalacios, J.P., and Dijk, J., 'The carbon footprint of bitcoin', *De Nederlandsche Bank, DNB Analysis Series*, 2021.



may be pertinent to compare the global banking industry's electricity usage. In this connection, the EESC notes that emerging DLTs, such as blockchain, are apparently being used to enable the delivery of sustainable infrastructure for a low carbon future. However, there is as yet no tangible evidence that this is the case. On a positive note, developers across the energy sector are seeking to leverage DLT technology to help decentralise energy distribution, control energy networks through smart contracts and provide demand response services linked to electricity usage and supply forecasting.

#### 4. Opportunities arising from Crypto-assets

4.1. In the light of the aforementioned risks, it is unclear whether cryptocurrencies will ever become a mainstream means of exchange. However, it is not unreasonable to predict that the shortcomings that have characterised crypto-assets such as processing capacity and the very high energy consumption for their mining, may be addressed with future developments in technology. The same could be said for the associated risks of criminal activity and money laundering where the illicit share of the cryptocurrency transaction volume dropped from 0,62 % in 2020 to 0,15 % in 2021<sup>(20)</sup> and law enforcement agencies are getting better at tracking and confiscating illicit cryptocurrencies. In the light of this, the EESC notes that since the publication of the EC's Fintech action plan in March 2018, the Commission has considered both the opportunities and challenges raised by crypto-assets.

4.2. As much as it is necessary to provide a robust legislative framework for crypto-assets as outlined in the Commission's Proposal<sup>(21)</sup>, the EESC is of the view that blockchain, as the main underlying technology for crypto-assets, could go a long way to addressing existing risks. The potential benefits of blockchain range from real-time transactions allowing risk reduction and better capital management, to improved regulatory effectiveness, for example by using blockchain for Know-your-Customer or anti-money-laundering checks. In addition, blockchain also brings about enhanced cyber-security given that hacking into a blockchain-based ecosystem would require exorbitant resources in terms of network and computing power. There is also huge potential for integration with other emerging technologies, such as artificial intelligence and the Internet of Things, to support the technology for crypto-assets.

4.3. As noted earlier, the lack of transparency and information is a serious problem surrounding crypto-assets, leading to both pseudo-anonymity and scant tax data. Further technological developments can help address existing limitations, thus improving transparency and the quality of data sent to the tax authorities for compliance purposes, addressing tax fraud and illicit transactions. Additionally, synergies between blockchain and artificial intelligence could also be a solution, as blockchain technology provides high-quality data for AI applications, transparent patterns for benchmarking studies, and ensures the integrity of an automated tax assessment.

4.4. Further technological developments in blockchain could also motivate banks to cooperate within the blockchain ecosystem, enabling them to share information and experience with the wider blockchain community via a trading platform. Such an infrastructure could offer a fully integrated end-to-end trading, settlement and custody service for digital assets based on blockchain. It could also provide a safe environment for issuing and trading digital assets, and enable the tokenisation of existing securities and non-bankable assets to make previously untradeable assets tradeable.

4.5. Of course to achieve this, there needs to be a robust regulatory framework. That said, the regulatory framework needs to be consistent across jurisdictions and not just within the EU. Standards, based on level playing field principles, should be set within and outside the EU to protect consumers. In this context, the EESC supports the Transfer of Funds Regulation (TFR), although in some aspects it goes further than for traditional finance transactions. However, at the same time, the EESC supports innovation within the EU and it is important that ordinary products based on blockchain technology that are not financial in nature are treated as their physical counterparts and not as financial instruments, following the 'same activity, same risk, same rules' principle.

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<sup>(20)</sup> The Chainalysis 2022 Crypto Crime Report.

<sup>(21)</sup> Proposal for a regulation of the European Parliament and of the Council on markets in crypto-assets, and amending Directive (EU) 2019/1937, COM(2020) 593 final.

4.6. The final consideration relates to the possible introduction of a digital euro. It should be made clear that a digital euro is not a crypto-asset but another form of the euro<sup>(22)</sup>. A digital euro would enable EU citizens to make digital payments throughout the euro area — just like they can use cash for physical payments. There are, of course, arguments in favour and against the entry of a digital euro but it does appear to be a logical step to take as payments become increasingly digitalised. This is critical for two main reasons: a digital euro could counter somewhat the prevailing US stablecoin market dominance, and it is relevant that the ECB continues to monitor developments in crypto-assets and their potential implications for monetary policy and the risks crypto-assets may pose to the smooth functioning of market infrastructures and payments, as well as for the stability of the financial system.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(22)</sup> See ongoing own-initiative opinion on *A Digital euro*.



**Opinion of the European Economic and Social Committee on Health Workforce and Care Strategy  
for the future of Europe**

**(own-initiative opinion)**

(2022/C 486/06)

Rapporteur: **Danko RELIĆ**

Rapporteur: **Zoe TZOTZE-LANARA**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Employment, Social Affairs and Citizenship
Adopted in section	6.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	194/4/3

## 1. Conclusions and recommendations

1.1. The EESC firmly stands by the principle that strong and resilient health systems can only be based on and developed by an educated, skilled and motivated health workforce, which is fundamental to delivering a successful health policy and by consequence essential for the achievement of human-centred health coverage for all and the 'right to health', as recommended by the Conference on the Future of Europe, guaranteeing all Europeans equal and sustainable access to affordable, preventive, curative, and quality health care.

1.2. The EESC welcomes the initiative for EU-level action to strengthen long-term care and early childhood education and care as envisaged under the European Pillar of Social Rights, which will contribute to high quality, accessible, equitable and affordable care services and help strengthen gender equality and social fairness.

1.3. The EESC calls for a transformative approach to care centred on people, their rights and their needs, including their participation in any relevant discussions, consultations and decisions. It urges the Commission to be ambitious in setting out a care strategy that can contribute to cohesion and upward convergence in healthcare and long-term care among and within the Member States.

1.4. A European Care Guarantee can ensure that everyone living in the EU has life-long access to affordable quality healthcare and care services, address care deficits, and promote decent working conditions, providing training opportunities. Support and better recognition of informal carers and policies geared to address problems in paid and unpaid informal care are key to an efficient use of resources.

1.5. Given that efficient, accountable and well funded public services remain key in ensuring equal access to quality care, the EESC calls on the European Union to ensure complementarity between all providers of care services based on solidarity, encourage investment in public services, the social economy and support social economy actors in the care sector.

1.6. Workforce planning should take into account the development of digital technologies, as innovations in these areas open up opportunities for creating new work environments and settings in which care is delivered, and require new skills. Supporting the digitalisation of LTC services is key in tackling the digital divide and digital poverty.

1.7. The EESC proposes an update of the Action Plan for the Health and Care Workforce in the European Union <sup>(1)</sup>. The development of integrated health workforce planning and forecasting and the adaptation of health and long-term care workforce skills are essential for improving access to and the quality of these services. An updated plan could ensure better data collection, harnessing the potential of digitalisation across the EU and develop methods to better forecast workforce and skill needs.

1.8. The EESC emphasises that the right to mobility must be respected within the EU. Cross-border mobility adds an extra dimension to workforce planning, the establishment of a European health workforce surveillance service to assist Member States in establishing and maintaining planning structures, and coordinating cross-border aspects of planning would be a useful long-term infrastructure element.

1.9. Social dialogue involving governments, employers and workers and their representative organisations is key to a transformative care strategy and resilient health and care systems in the EU; care givers and receivers have to be included in charting an inclusive, resilient, gender-equal care and health ecosystem.

## 2. General comments on care

2.1. Vital for social protection and the wellbeing of EU citizens, long term care comprises a range of services and assistance for people who experience mental and/or physical fragility and/or disability over extended periods of time, depend on help with daily life, and/or requiring some permanent nursing care by professional or non-professional paid/unpaid providers at home or at nursing and residential care facilities <sup>(2)</sup>.

2.2. The COVID-19 pandemic severely tested the resilience and the adequacy of care systems across the EU, indicating structural problems, such as underfunding and understaffing in many countries, which can deteriorate due to ongoing economic/political challenges, inflation, uncertainty and the energy crisis.

2.3. The European Pillar of Social Rights enshrines the right to care and the right for everyone to have access to quality formal care services based on need. Announced by Commission President Von der Leyen in her 2021 State of the Union speech, the new European Care Strategy entails two Council recommendations on childcare (revising the Barcelona targets) and on long-term care. The European Parliament has recommended improving life-long care provision based on the needs of care recipients and providers, urging the Commission to support MS in developing quality care services <sup>(3)</sup>.

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<sup>(1)</sup> The European Commission published in 2012 its Action Plan for the EU health workforce.

<sup>(2)</sup> European Commission, DG for Employment, Social Affairs and Inclusion. (2014). 'Adequate social protection for long-term care needs in an ageing society: report jointly prepared by the Social Protection Committee and the European Commission', Publications Office, <https://data.europa.eu/doi/10.2767/32352> p. 14.

<sup>(3)</sup> European Parliament resolution of 15.11.2018 on care services in the EU for improved gender equality [https://www.europarl.europa.eu/doceo/document/TA-8-2018-0464\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-8-2018-0464_EN.html)

2.4. The EESC has adopted several opinions on care provision in the EU <sup>(4)</sup>, stressing the need to invest in high-quality, sustainable and accessible care for all, and address deficits in childcare and LTC. It has identified shortcomings in care provision for all, 'in the diversity and fragmented nature of the services on offer, in poorly regulated services, in difficulties in coordinating management levels, in coordination problems between social and healthcare services, in the growing commodification of services and in the need for prevention policies and measures'; opposing stereotyping and other discrimination against the elderly, the EESC has called for people-centred care supported by digitalisation. In this context, the EESC recommends full deployment of digitalisation to reduce undue paperwork for care workers and applying the best achievements of smart regulation.

### 3. A transformative approach to care

3.1. An effective European Care Strategy requires engagement towards a transformative and ambitious approach, which puts at its heart people and their fundamental rights and needs, ensuring their participation in consultations and decisions, with the potential to contribute to cohesion and upward convergence among and within the Member States.

3.2. Embodying this transformation, a European Care Guarantee would ensure that everyone living in the EU has lifelong access to affordable and quality care, provide a cohesive framework for MS to deliver high quality services and lifetime care strategies, and improve working conditions and training for carers and support informal carers.

3.3. Large-scale investment in the care economy and infrastructure is requisite for a transformative approach that would address persistent care gaps, potentially creating ca. 300 million jobs by 2035 that would also enhance gender equality and women's access to labour markets <sup>(5)</sup>.

3.4. While different models exist in Member States, efficient, accountable and well-funded public services remain key in ensuring equal access to quality care, and in supporting unpaid care providers, particularly women. The EESC emphasises the need to maximise complementarity and the synergy between all care and health providers in both the public and private sectors (profit and not profit) to achieve coverage for all <sup>(6)</sup>, taking into account best practices and positive examples in the Member States, and while respecting national specificities and differences.

3.5. Privatisation trends and market-driven practices such as risk selection and maximising profit over care and health can exacerbate inequalities, affecting the most vulnerable with unmet care needs. Based on solidarity, respect of the national competences and subsidiarity, LTC and child care at EU and Member State level need strong social protection systems and public services, social investment and social economy actors — e.g. mutual societies — to provide optimal community and home-based care by adequately trained carers <sup>(7)</sup>.

3.6. EU structural and investment funds can be used to support investment in care. On healthcare and LTC, the Commission should better target its country-specific recommendations within the European Semester and, where needed, help Member States prioritise adequate funding as a productive investment rather than an economic burden.

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<sup>(4)</sup> OJ C 129, 11.4.2018, p. 44; OJ C 487, 28.12.2016, p. 7; OJ C 204, 9.8.2008, p. 103; Brochure and EESC opinion on Economic, technological and social changes in advanced services for the elderly (OJ C 240, 16.7.2019, p. 10); EESC opinion on 'Towards a New Care Model for the Elderly: learning from the Covid-19 pandemic' (OJ C 194, 12.5.2022, p. 19).

<sup>(5)</sup> Addati, L., Cattaneo, U., and E. Pozzan. (2022) Report on 'Care at work: investing in care leave and services for a more gender equal world of work'. ILO, Geneva [https://www.ilo.org/global/topics/care-economy/WCMS\\_838653/lang-en/index.htm](https://www.ilo.org/global/topics/care-economy/WCMS_838653/lang-en/index.htm)

<sup>(6)</sup> <https://www.who.int/publications/i/item/WHO-HIS-SDS-2018.53>

<sup>(7)</sup> See EESC opinion on 'The impact of social investment on employment and public budgets' (OJ C 226, 16.7.2014, p. 21).

#### 4. Working conditions, challenges and employment potential

4.1. Around 6,3 million people work in the long-term care (LTC) sector in the EU while 44 million people provide frequent informal LTC to relatives or friends, in one of the fastest growing sectors worldwide<sup>(8)</sup>. Up to 7 million jobs for healthcare associate professionals and care workers are expected to be created by 2030<sup>(9)</sup>.

4.2. Major challenges for the care sector include staff shortages, unattractive and demanding working conditions, an ageing workforce, and underfunding, due to social and health budget cuts during the 2008 economic crisis, in varying degrees across the MS<sup>(10)</sup>. In almost all EU countries job growth lags behind increasing demand, owing to mentally and physically arduous conditions that cause care workers to leave the sector — a trend exacerbated by the pandemic, adversely affecting health and safety for both care recipients and workers.

4.3. A transformative approach should promote gender equality, considering that women represent over 80 % of the care sector workforce, are principal caregivers and recipients in formal and informal settings<sup>(11)</sup> and are on average older than the overall EU workforce. As women undertake the vast majority of caring responsibilities in the family, accessible and affordable Early Childhood Education and Care (ECEC) and LTC services would enable more women to join the labour market. The right to at least five working days of carers' leave per year, introduced by the Work-Life Balance Directive, will provide some support to informal carers trying to balance work and caring responsibilities. The lack, however, of adequate paid leave prevents full enjoyment of the Directive's provision of this right and may exacerbate gender inequalities.

4.4. Wages in the sector are below average in many EU countries, despite arduous working conditions, specific requirements in skills/competencies and qualifications, and high occupational health and safety risks<sup>(12)</sup>. In several MS, unionisation, collective bargaining coverage, job satisfaction and staff-user ratios are at low levels; inter alia, the pandemic exposed deficient provision of personal protective equipment.

4.5. Unpaid informal care, or family care, is a cornerstone of LTC provision in Europe, but home care and community-based care in many countries remain underdeveloped and hard to access<sup>(13)</sup>. Considering the impact of informal care provision on key life outcomes, the EESC strongly recommends policies which foster the 'formalisation' of informal care, support informal carers and contribute to an efficient use of resources.

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<sup>(8)</sup> Eurofound (2020), 'Long-term care workforce: Employment and working conditions', Publications Office of the EU, Luxembourg. <https://www.eurofound.europa.eu/nb/publications/customised-report/2020/long-term-care-workforce-employment-and-working-conditions>.

<sup>(9)</sup> Barslund, Mikkel et. al (2021). 'Study: Policies for long-term Carers' (2021). Brussels, European Parliament, [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/695476/IPOL\\_STU\(2021\)695476\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/695476/IPOL_STU(2021)695476_EN.pdf)

<sup>(10)</sup> [https://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0011/186932/12-Summary-Economic-crisis,-health-systems-and-health-in-Europe.pdf](https://www.euro.who.int/__data/assets/pdf_file/0011/186932/12-Summary-Economic-crisis,-health-systems-and-health-in-Europe.pdf)

<sup>(11)</sup> European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 'Long-term care report: trends, challenges and opportunities in an ageing society'. (2021) Volume I, Chapter 3. Publications Office, pp. 12, 28 <https://data.europa.eu/doi/10.2767/677726>

<sup>(12)</sup> See footnote 11, pp. 68–70.

<sup>(13)</sup> European Commission, DG for Employment, Social Affairs and Inclusion, (2018) Zigante, V., 'Informal care in Europe: exploring formalisation, availability and quality', Publications Office, <https://data.europa.eu/doi/10.2767/78836>  
Spasova, S., et al (2018). Challenges in long-term care in Europe. A study of national policies, European Social Policy Network (ESPN), Brussels: European Commission. <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8128&furtherPubs=yes>

4.6. The EESC expresses concern regarding widespread precarious care work among undeclared, mostly female domestic care workers who engage in live-in care, mostly coming from migrant groups or mobile citizen categories. Exacerbated by lack of access to formal care and economic necessity, this grey area calls for a cohesive policy approach, with due attention to skill certification, regularisation, and/or resident permit procedures.

4.7. As demand for LTC grows, the sector will benefit from higher and more stimulating wages, effective collective representation and collective bargaining, and more training. Public funding leveraged to improve working conditions (for instance via requirements in public procurement) can help address staff shortages and ensure high quality LTC. Professionalisation, defining quality and elaborating standards to assess/measure quality as well as harmonisation of standards across MS are essential to the renewal of the sector<sup>(14)</sup>.

## 5. Other comments

5.1. The pandemic has exposed fragmentation and dispersion, particularly in provision and funding responsibilities in many MS, indicating the need for better integration between healthcare and national care systems<sup>(15)</sup>, which are best placed to deliver in terms of ensuring access for all and efficiency.

5.2. One emerging major challenge requiring concerted measures in the new care strategy concerns preventing and addressing mental health problems that are a combined result of the pandemic and rising mental health incidences (e.g. dementia) linked to an ageing population.

5.3. As recent experience related to the prevention and control of COVID-19 in long-term care facilities demonstrates<sup>(16)</sup>, effective assessment, efficient and streamlined external supervision and inspection, in both public and private care provision facilities are key in preventing abuses and ensuring safety and quality, particularly for vulnerable populations, the elderly and children, capitalising on existing good practices in MS.

5.4. Developing EU-wide standardised data collection and LTC indicators is vital for a successful Care Strategy at MS level, including reporting requirements and regular reviews, to be carried out with efficient and streamlined procedures. Adequate child care provision, in particular, requires quantitative and qualitative targets to measure progress and to deliver on and go beyond the Barcelona targets.

5.5. Support for digitalisation of LTC services is key in tackling the digital divide. Special attention needs to be given to accessibility, assistive systems, improving digital literacy and to digitalisation for job quality, upskilling and new methods of diagnosis, monitoring and treatment.

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<sup>(14)</sup> See footnote 11, chapter 3.

<sup>(15)</sup> European Commission, DG for Employment, Social Affairs and Inclusion. (2014). 'Adequate social protection for long-term care needs in an ageing society: report jointly prepared by the Social Protection Committee and the European Commission', Publications Office, p. 36 <https://data.europa.eu/doi/10.2767/32352> and Pan-European Commission on Health & Sustainable Development (2021). 'Drawing light from the pandemic: a new strategy for health and sustainable development. A review of the evidence' [https://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0015/511701/Pan-European-Commission-health-sustainable-development-eng.pdf](https://www.euro.who.int/__data/assets/pdf_file/0015/511701/Pan-European-Commission-health-sustainable-development-eng.pdf)

<sup>(16)</sup> Danis, K., Fonteneau, L., et al.,(2020). High impact of COVID-19 in long-term care facilities: suggestion for monitoring in the EU/EEA., *Euro Surveillance: European Communicable Disease Bulletin*, 25(22). <https://doi.org/10.2807/1560-7917.ES.2020.25.22.2000956>

5.6. The EESC condemns war crimes committed by the Russian Federation in Ukraine, targeting care and health workers, patients, children, hospitals and other facilities; alongside deaths and injuries this aggression is gravely affecting Ukraine's health and care system, calling for targeted aid and support measures — also having in mind that the crisis in Ukraine is spreading everywhere and affects many aspects of social and economic environment.

5.7. Social dialogue involving governments, employers and workers and their representative organisations is key to a transformative care strategy and resilient health systems in the EU; importantly, those who receive and provide care have to be included in charting a more inclusive, resilient and gender-equal care and health ecosystem, engaging civil society and other stakeholders, e.g. the church and philanthropy.

## 6. General comments on health workforce

6.1. Good health care is a pillar of a stable, secure, and prosperous society and its organisation is the government's responsibility. It is common practice in many countries to rely on the low cost and quick recruitment of health workers from other European countries. This is simply acknowledged as a fact of life and left appallingly unaddressed.

6.2. The EESC firmly stands by the principle that strong and resilient health systems can only be based on and developed by an educated, skilled and motivated health workforce, which is fundamental to delivering a successful health policy and by consequence essential for the achievement of health coverage for all and the right to health. The very recommendations of the Conference on the Future of Europe aim to create a 'right to health', guaranteeing all Europeans equal and access for all to affordable, preventive, curative, and quality health care.

6.3. The European Health Union should improve EU-level protection, prevention, preparedness, and response against human health threats. In that context, the success of all key initiatives within the European Health Union depends heavily on a high-quality health workforce.

6.4. In a number of opinions<sup>(17)</sup>, the EESC has addressed the issue of the health workforce in a variety of other contexts and activities. Especially during the pandemic, health workers are on the front lines, demonstrating an outstanding level of solidarity during the most difficult times.

6.5. The EESC supports measures that should be taken to make jobs in the health care sector more attractive to young people. This is one of the most important prerequisites for creating sufficient human resources capacity in health care systems to meet healthcare needs, health promotion, and disease prevention.

6.6. Data on numbers, migration, skills, and other specifics related to the health workforce should be standardised and continuously shared among Member States. Numerous events (the COVID-19 pandemic, earthquakes, floods, the Russian invasion of Ukraine, etc.) demonstrate the importance of rapid response, especially in crisis situations.

6.7. Employment in health and social services increased by 48 % in OECD countries between 2000 and 2017<sup>(18)</sup>. As the population ages and changes, the demand for health services will also grow and change: it is estimated that the global demand for health workers will nearly double by 2030<sup>(19)</sup>.

6.8. Even before the COVID-19 pandemic, the capacity to deliver basic health services was limited in many countries due to persistent health workforce shortages and a projected global shortfall of 18 million health professionals by 2030<sup>(20)</sup>.

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<sup>(17)</sup> OJ C 286, 16.7.2021, p. 109; OJ C 429, 11.12.2020, p. 251; OJ C 242, 23.7.2015, p. 48; OJ C 143, 22.5.2012; OJ C 18, 19.1.2011, p. 74; OJ C 77, 31.3.2009, p. 96.

<sup>(18)</sup> [https://one.oecd.org/document/ECO/WKP\(2021\)43/en/pdf](https://one.oecd.org/document/ECO/WKP(2021)43/en/pdf)

<sup>(19)</sup> Liu JX, Goryakin Y, Maeda A, Bruckner T, Scheffler R. Global health workforce labor market projections for 2030. *Human Resources for Health* 2017; 15:11 (<https://human-resources-health.biomedcentral.com/articles/10.1186/s12960-017-0187-2>).

<sup>(20)</sup> [https://www.who.int/health-topics/health-workforce#tab=tab\\_1](https://www.who.int/health-topics/health-workforce#tab=tab_1)

6.9. It is important to clearly define the principles of the possible transfer or combination of skills and tasks (task shift/skill mix). There is a need to coordinate institutions that train the health workforce to respond appropriately to the needs of the national healthcare system through timely corrections to enrolment rates and curricula.

6.10. The development of human resources in health and social care should follow the principle of coordination, intersectoral cooperation, and integration of care, with the common goal of achieving continuity of care for citizens in the 24/7/365 model.

6.11. Special attention should be paid to the availability of treatment in local communities, especially in sparsely populated areas, remote or isolated rural areas, and islands, where modern transportation and telemedicine solutions need to be used more actively.

## 7. Health workforce planning

7.1. The EESC believes that health workforce planning must aim to create conditions for a professional practice that improves the quality of care and patient safety. At the same time, the capacity for high-quality training must be ensured at all levels.

7.2. The management of the health workforce must be considered a strategically important activity at the level of the whole state administration and through the key role of the Member State government, and must be implemented in a multisectoral way, taking into account different perspectives and priorities.

7.3. Health workforce management must address all phases of the 'life cycle of professionals' — from recruiting future students to employing retirees. The process of selecting candidates for training, employment, and promotion should be transparent and fair, without any form of discrimination.

7.4. In planning the health workforce, it is important to consider and clearly represent the needs of citizens and health workers. Planning and management processes must establish the methods by which it is possible to identify all the needs of professionals, from working conditions, material rights, opportunities for advancement, adequate time and resources allocated to learning and research, to the establishment of a sustainable balance between personal and professional life.

7.5. The planning of the health workforce must reflect the planning of the structure, but also the actions and processes to achieve the goals set — to define what needs to be achieved and in what specific way.

7.6. The EESC proposes an update of the Action Plan for the Health and Care Workforce in the European Union<sup>(21)</sup>. The development of integrated health workforce planning and forecasting and the adaptation of health and long-term care workforce skills are essential for improving access to and the quality of these services.

7.7. Social partners and all interested civil society organisations must play an active role in the health workforce planning process. It is necessary to define the relationships between the different professional groups, the population's specific needs and the system for certain competencies.

7.8. The identification of unattractive geographic areas or areas of activity where there is a shortage of human resources is necessary for safeguarding the rights and provide adequate incentives for health professionals. EESC proposes that the European Commission should issue recommendations on minimum ratios of resources per population unit for baseline universal health coverage and emergencies, taking into account geographic distribution and age profile<sup>(22)</sup>.

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<sup>(21)</sup> In 2012, the European Commission published its Action Plan for the EU health workforce.

<sup>(22)</sup> CPME Policy on Health Workforce (<https://www.cpme.eu/policies-and-projects/professional-practice-and-patients-rights/health-systems-and-health-workforce>).



7.9. As a basis for these recommendations, it is important to improve international data collection exercises to harmonise data categories where possible in order to identify differences and avoid misinterpretation of data. It is important to reflect national deviations from the harmonised categories across Europe to be able to put data into context <sup>(23)</sup>.

7.10. The issue of financial resources will be addressed differently depending on the economic circumstances in each Member State. Evidence suggests that Member States need to ensure that system planning in general, and health workforce planning in particular, takes into account both the broader environment and the government's relative ability to influence it <sup>(24)</sup>.

7.11. Workforce planning should take into account the development of digital technologies as innovations in these areas open up opportunities for creating new work environments and settings in which care is delivered, and require new skills.

## 8. Working conditions

8.1. The importance of working conditions as a factor in professionals' decisions to enter, stay in, or leave medical career highlights the importance of coherent policies in areas such as education, employment, family life, finance, and migration. While much discussion of health workforce planning focuses on professional compensation as a key factor in recruitment and retention, access to education and training, including professional development and the ability to maintain skills, practical conditions such as availability of care, official working hours, safe staffing, meaningful professional development opportunities, and work-life balance all contribute to a healthy work environment in which medicine is an attractive and sustainable career choice <sup>(25)</sup>.

8.2. European and international medical organisations note that physicians working in hospitals, general and private practices are increasingly confronted with situations of violence — sometimes extreme — in their daily practice, outside of any conflict <sup>(26)</sup>. EESC calls on the European Commission and all stakeholders to show political commitment and to be aware of the urgent need to protect the health workforce in the performance of their work.

8.3. Healthcare workers are at risk of contracting infectious diseases through exposure at work. Transmission of diseases leads to absenteeism, morbidity, and in some cases mortality among healthcare workers. These ultimately create a reduction in the workforce and consequently affect the quality of patient care and safety.

8.4. Healthcare workers may also suffer from psychological stress and potentially mental disorders that affect both their work and personal lives. In recent years, reports of health care workers reducing professional practice or retiring early due to burnout, depression, or other mental health conditions have increased <sup>(27)</sup>. The EESC calls for investment in public mental health services to ensure full and free access to these services for all health professionals.

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<sup>(23)</sup> See footnote 2.

<sup>(24)</sup> Russo G, Pavignani E, Guerreiro CS, Neves C. Can we halt health workforce deterioration in failed states? Insights from Guinea Bissau on the nature, persistence and evolution of its HRH crisis. *Human Resources for Health* 2017; 15(1):12.

<sup>(25)</sup> See footnote 2.

<sup>(26)</sup> [https://www.cpme.eu/api/documents/adopted/2020/3/EMOs.Joint\\_.Statement.on\\_.Violence.FINAL\\_.12.03.2020.pdf](https://www.cpme.eu/api/documents/adopted/2020/3/EMOs.Joint_.Statement.on_.Violence.FINAL_.12.03.2020.pdf)

<sup>(27)</sup> Dyrbye, L. N., T. D. Shanafelt, C. A. Sinsky, P. F. Cipriano, J. Bhatt, A. Ommaya, C. P. West, and D. Meyers. 2017. Burnout among health care professionals: A call to explore and address this underrecognised threat to safe, high-quality care. *NAM Perspectives*. Discussion Paper, National Academy of Medicine, Washington, DC.

## 9. Mobility

9.1. The EESC emphasises that the right to mobility must be respected both within and outside the EU. Cross-border mobility should be facilitated for the benefit of the individual worker and the profession as a whole, as it provides an opportunity for knowledge transfer and mutual learning, which benefits patient care and ultimately the entire health care system. In the event of migration due to economic necessity or unfavourable working conditions, it is critical to identify and address the root causes of these dynamics and work toward improving the situation of the health workforce <sup>(28)</sup>.

9.2. Cross-border mobility adds an extra dimension to workforce planning, the establishment of a European health workforce surveillance service to assist Member States in establishing and maintaining planning structures and coordinating cross-border aspects of planning would be a useful long-term infrastructure element. It should be linked to EU processes, particularly the European Semester and pandemic planning envisaged under a future EU regulation on serious cross-border health threats <sup>(29)</sup>.

9.3. Member States must implement ethical recruitment policies in accordance with the WHO Global Code of Practice on the International Recruitment of Health Personnel <sup>(30)</sup>. Recruitment of professionals from abroad should not be considered a simple means of mitigating the shortage of domestic health personnel. Where there are asymmetric mobility flows, efforts should be made to create balancing mechanisms that work toward win-win exchanges.

## 10. Other comments

10.1. Effective leadership is crucial for managing health professionals at all levels; it is a complex and highly valued component of healthcare education that is increasingly recognised as essential to achieving high standards of education, research, and clinical practice.

10.2. Consequently, high-quality and sufficient leadership education and development should be part of the curricula of all health professions <sup>(31)</sup>.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(28)</sup> European Commission, DG for Employment, Social Affairs and Inclusion. (2014). 'Adequate social protection for long-term care needs in an ageing society: report jointly prepared by the Social Protection Committee and the European Commission', Publications Office, <https://data.europa.eu/doi/10.2767/32352> p. 14.

<sup>(29)</sup> European Commission, DG for Employment, Social Affairs and Inclusion. (2014). 'Adequate social protection for long-term care needs in an ageing society: report jointly prepared by the Social Protection Committee and the European Commission', Publications Office, <https://data.europa.eu/doi/10.2767/32352> p. 14.

<sup>(30)</sup> <https://www.who.int/publications/m/item/migration-code>

<sup>(31)</sup> Van Diggele, C., Burgess, A., Roberts, C., & Mellis, C. (2020). Leadership in healthcare education. *BMC Medical Education*, 20 (Suppl. 2), 456. <https://doi.org/10.1186/s12909-020-02288-x>

**Opinion on the European Economic and Social Committee on The EU Youth Test****(own-initiative opinion)**

(2022/C 486/07)

Rapporteur: **Katrīna LEITĀNE**

Plenary Assembly decision	24.2.2022
Legal basis	Rule 32(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Employment, Social Affairs and Citizenship
Adopted in section	6.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	158/0/5

**1. Conclusions and recommendations**

1.1 Political participation is the basis of every functioning democracy. The main asset of the EU for young Europeans is the respect for democracy, human rights and the rule of law<sup>(1)</sup>. It is crucial to ensure that young people have a say in decisions affecting their future since even an indirect effect can still have a strong impact on young people and generations to come. Policies not directly targeting young people or not considered to be part of the traditional youth policy field can still have a strong impact on young people's lives. It is important to offer efficient mechanisms which complement the existing participatory mechanisms and are aligned with democratic principles and tailored to the needs of young people. This can contribute to better and more effective policy-making.

1.2 The EESC believes that education is one of the most effective ways of reaching out to young people and to inform them about all the possible forms of participation and the values the European project represents. Existing programmes supporting formal and non-formal education, such as Erasmus+ and the European Solidarity Corps, have successfully improved the views of young people when it comes to democratic participation and the values and principles of the European Union.

1.3 The EESC points out that there is an explicit need to include young people in policy-making through their meaningful participation in the way most suited to young people, followed by monitoring, evaluation and impact assessment to ensure that the views of young people have been taken into account when policy decisions are made. Involvement throughout the policy-making process creates trust among young generations and beyond, enabling them to be seen as relevant and significant during that process. These processes should include visible and transparent communication of the outcomes of their involvement. This element is crucial in order to build trust between young people and policy-making<sup>(2)</sup>. Furthermore, social inclusion and reaching out to groups with different needs is very important.

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<sup>(1)</sup> Desk research European Youth in 2021.

<sup>(2)</sup> Influencing and understanding political participation patterns of young people, European Parliament, 2021.

1.4 The EESC agrees that civil society organisations can play a critical role in engaging young people in societal challenges and therefore in their participation in policy-making and the democratic process. Such organisations can serve as bridges and support networks to help young people engage with formal public bodies and enable young people to become active citizens. The EESC supports these organisations and young citizens in taking action and calls for measures to enable them to do so.

1.5 The EESC encourages the EU institutions and Member States to implement measures and mechanisms that ensure that the youth perspective is taken into account in every policy field, while also creating space for young people to provide consistent and expert input on the challenges they are facing. These structures should also include transparent and visible follow-up and monitoring mechanisms, and complement existing youth participation instruments while not resulting in decreased funding. Suitable resources should be made available for meaningful youth participation in policy-making.

1.6 Young people's participation in policy and decision-making processes can support better regulation and policies by mapping and understanding the current and upcoming trends that are impacting the lives of young people and future generations. This can also make the task of the author of a proposal easier, since they can receive qualitative input to complement secondary data.

1.7 The EESC would like to stress that while the EU Youth Test is built on the key objectives of the EU Youth Strategy <sup>(3)</sup> and the European Year of Youth, both emphasise the importance of youth mainstreaming in policy-making, which requires a cross-sectoral approach. It is also one of the measures set out in the Report on the Final Outcome <sup>(4)</sup> of the Conference on the Future of Europe which has been endorsed by all voting components in the Conference plenary and citizens. To achieve long-lasting impact and a legacy beyond the European Year of Youth, young people need to be empowered to lead the change and to build a better future.

1.8 The EESC acknowledges the reference to the EU Youth Test in the European Commission's Communication on the outcomes of the Conference on the Future of Europe <sup>(5)</sup>. However, it stresses that the Commission's proposal is not in line with the goals and means of the original proposal and lacks meaningful engagement with youth organisations and experts, the mainstreaming of youth in all policies and does not consider the long-term impact of policies on future generations. The EESC believes an EU Youth Test should be part of the Better Regulation Toolbox as a separate tool, since future generations and young people deserve specific attention.

1.9 The EESC is calling for more cooperation between the institutions on aligning existing successful initiatives such as the EU Youth Dialogue, 'Your Europe, Your Say!' and the European Youth Event, and for them to be connected to future initiatives such as the EU Youth Test, in line with the EU Youth Strategy. Furthermore, the EESC outlines a list of proposals on youth participation in the EESC and aims to introduce the EU Youth Test concept in its work.

## 2. General comments

### 2.1 *The role of young people in building the European project*

2.1.1 Young people are the engine of the European project and their creativity, energy and enthusiasm is the driving force for its sustainability. The current year 2022 has been designated the European Year of Youth, with the President of the European Commission, Ursula von der Leyen, stating that 'Europe needs all of its youth' and 'Our union needs a soul and a vision they can connect to' <sup>(6)</sup>.

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<sup>(3)</sup> European Council Resolution on The European Youth Strategy 2019-2027.

<sup>(4)</sup> Conference on the Future of Europe, *Report on the final outcome*, May 2022.

<sup>(5)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022DC0404&qid=1660827033223>

<sup>(6)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_21\\_4701](https://ec.europa.eu/commission/presscorner/detail/en/speech_21_4701)

2.1.2 The EU project cannot be effectively and properly achieved in the current democratic environment without recognising the discourse on youth political participation<sup>(7)</sup> within democratic traditions and geopolitical contexts. The Vice-President for Promoting our European Way of Life, Margaritis Schinas, has stated that ‘The European Year of Youth should bring a paradigm shift in how we include young people in policy and decision-making’. The underlying justification is to provide access to, and to empower<sup>(8)</sup> young people to engage in meaningful youth participation.

2.1.3 According to *Eurobarometer* polls<sup>(9)</sup>, less than half (47 %) of Europeans trust the EU and only 44 % have a positive image of it. The future of the European project is highly dependent on how strong young people’s association is with Europe’s values and their willingness to embrace a European identity. Young people’s active engagement in the political and decision making processes is crucial since their future will be determined by today’s decisions. Therefore, participatory instruments should be introduced to ensure young people’s voices are taken into account. Participation in civil and democratic life has to be strengthened at all levels to ensure Europe’s future prosperity, acknowledging that democratic maturity influences<sup>(10)</sup> patterns of political participation among young people in the EU.

2.1.4 The EU’s initiative to convene a Conference on the Future of Europe worked as an incentive to promote participatory dialogue with citizens across the Union. Improving the effectiveness of existing youth participation mechanisms, and developing new ones, is considered to be the way forward. As suggested in the final outcomes of the Conference on the Future of Europe, this could include a ‘Youth Test’<sup>(11)</sup> of legislation, with an impact assessment and a consultation mechanism involving representatives of young people<sup>(12)</sup>.

2.1.5 The Youth Test acts as a method of Strategic Foresight for policy-making. Strategic Foresight is a valuable concept that the European Commission aims to use within the policy-making process. As it builds on principles such as horizon scanning, megatrends analysis, scenario planning and visioning, it is inevitable that the youth perspective and that of future generations is considered within this framework. While the foresight process acknowledges that the future is not predetermined, it collects information on possible scenarios and aims to prepare for emerging challenges. Intergenerational dialogue can include valuable tools that ensure that the policies drafted consider these trends and future scenarios. Conducting analysis that considers the perspective of young people and future generations can and should contribute to better and more tailored policies that are capable of addressing the challenges of future generations.

2.1.6 In order to create better policies that are fit for future challenges, these need to acknowledge and safeguard the rights of young people and future generations, ensuring there are no negative impacts on any specific generational and social groups. These groups are currently often ignored or considered as part of other groups, which does not reflect the reality. As a result, policies do not properly address challenges and contribute to the decline in trust and disengagement with formal institutions.

## 2.2 *The need for meaningful youth participation*

2.2.1 Meaningful involvement is about power-sharing, an ability to make decisions, with the engagement of other stakeholders, under transparent conditions known to all actors concerned. Well-designed accountability processes establish the trust of all stakeholders in political participatory processes and the explicit responsibilities of the various actors should be communicated to all stakeholders.

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<sup>(7)</sup> Deželan, T., Moxon, D., *Influencing and understanding political participation patterns of young people: The European perspective*, study, 2021.

<sup>(8)</sup> Barta, O., Boldt, G., Lavizzari, A., *Meaningful youth political participation in Europe: concepts, patterns and policy implications*, research study, 2021.

<sup>(9)</sup> Eurobarometer 96 — Winter 2021-2022.

<sup>(10)</sup> Kitanova, M., ‘Youth political participation in the EU: evidence from a cross-national analysis’, *Journal of Youth Studies*, Vol. 23, No. 7, 2020 (paper received in 2018).

<sup>(11)</sup> [https://www.youthforum.org/files/YFJ\\_EU\\_Youth\\_Test.pdf](https://www.youthforum.org/files/YFJ_EU_Youth_Test.pdf)

<sup>(12)</sup> Report on the final outcome of the Conference on the Future of Europe.

2.2.2 Young people's trust in public institutions has stalled since the global financial crisis in the late 2000s<sup>(13)</sup> and their perception of having political influence and representation in decision-making remains unchanged. Youth participation in democratic life can take diverse forms. However voting in local, national or European elections is considered to be the most effective way of making their voice heard by decision-makers (39 %)<sup>(14)</sup> while the proportion of young people trusting this type of democratic participation is still very low. At the same time, for those likely to stay away from politics this is due to the lack of meaningful engagement and trust and the feeling that there is no point in participating without their contribution being taken into account. One of the main barriers for young people to participate is the belief that decision-makers 'don't listen to people like me'<sup>(15)</sup>. Promoting trust and strengthening the dialogue between young people and public institutions is thus crucial to ensuring the preparedness and resilience of societies to cope with future shocks<sup>(16)</sup>.

2.2.3 A majority (70 %)<sup>(17)</sup> of young people feel they do not have much, or any, say over important decisions, laws and policies affecting the EU as a whole. 24,8 %<sup>(18)</sup> of young people feel they have no influence at all over what topics enter public or political debates and a further 40,8 % say they do not have much influence. Furthermore, 2/3 of the respondents consider that more awareness among politicians of young people's concerns would help young people to influence public policy more, while more than 50 % of them think that a stronger role of youth organisations in politics would serve this purpose as well.

2.2.4 Young people have changed their modes of participation, now preferring non-institutionalised, and particularly non-electoral, forms of political engagement<sup>(19)</sup>. Research has increasingly shown that this is linked to declining levels of trust in public bodies, and dissatisfaction with how representative democracy works. Young people's unconventional political participation has become increasingly fluid, individualised and personalised with a preference for engaging on single issues and topics as well as direct activism and protest in the sense of 'individual lifestyle choices'<sup>(20)</sup>. Overall, young people are highly motivated politically. Experts on political participation, when considering the question of youth participation, have turned their focus from whether young people wish to participate to where and how they choose to express their political views<sup>(21)</sup>. Considering the wide range of ways young people now seek to influence policy and politics, there is a clear need to take account of the unconventional nature of political participation, participatory decision-making, enhanced communication and transparency mechanisms within a democratic institutions framework. Policy-making within public bodies should be adjusted and designed accordingly to ensure outreach and engagement with all groups of young people when policy decisions are made. Participatory mechanisms should in fact be inclusive and communicated in such a way as to reach a diverse public and those who are hard to reach.

2.2.5 Youth-led organisations have developed expertise and knowledge of a wide range of topics related to issues young people are facing. Including them in the policy-making process will result in more coherent and adapted rules and regulations. This is also supported by the ever increasing number of young people who are joining these organisations<sup>(22)</sup>.

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<sup>(13)</sup> Governance for Youth, Trust and Intergenerational Justice Fit for all generations? Highlights.

<sup>(14)</sup> Flash Eurobarometer on Youth and Democracy, conducted between 22 February and 4 March 2022.

<sup>(15)</sup> European Parliament youth survey Report (European Parliament, September 2021).

<sup>(16)</sup> Governance for Youth, Trust and Intergenerational Justice Fit for all generations? Highlights.

<sup>(17)</sup> European Parliament youth survey Report (European Parliament, September 2021).

<sup>(18)</sup> Youth Survey Report (Under the Trio Presidency Germany-Portugal-Slovenia, January 2022).

<sup>(19)</sup> Youth Survey Report (Under the Trio Presidency Germany-Portugal-Slovenia, January 2022).

<sup>(20)</sup> Youth Survey Report (Under the Trio Presidency Germany-Portugal-Slovenia, January 2022).

<sup>(21)</sup> Deželan, T., Moxon, D., *Influencing and understanding political participation patterns of young people: The European perspective*, study, 2021.

<sup>(22)</sup> Eurobarometer on the European Year of Youth: Young Europeans are increasingly engaged, European Commission, 2022.



2.2.6 Meaningful engagement with young people is crucial. Youth participation needs to be improved, tackling in particular: lack of youth democratic representation, and lack of a youth perspective outside of the traditional youth policy domain. Young people wish to be included in shaping policies that impact their lives. Intergenerational justice<sup>(23)</sup> is how inequality between generations in ageing societies can be healed.

2.2.7 The existing tools for youth impact analysis, such as Tool #31 in the Better Regulation Toolbox, do not provide for youth mainstreaming and the inclusion of youth organisations and young people with relevant expertise, who are able to provide a systematic review of the issues from a youth perspective. What is more, based on the publications available, such tools are implemented less frequently than the relevancy and significance of the proposals would require.

### 3. Specific comments

#### 3.1 *The EU Youth Test*

3.1.1 The proposal is based on three pillars: consultation, impact assessment and mitigation measures<sup>(24)</sup>. It provides a framework for improving the effectiveness and efficiency of policy, based on strengthened youth participation and youth mainstreaming in policy-making, while also taking into account vulnerable groups of young people, such as young people with disabilities, NEETs<sup>(25)</sup>, young people living in remote areas, etc. With the different components of the EU Youth Test, it provides a coherent structure for producing high quality and better policies that address issues that future generations may face.

3.1.2 The first step of the EU Youth Test is to determine the relevance and impact of any upcoming draft policy proposals for young people and future generations. This will help determine whether a full Youth Test should be carried out on that upcoming policy. Through a checklist tool, the assessors determine whether the draft proposal is indeed relevant for young people, and the direct and indirect impact of the proposal on young people and future generations. If such a determination is made, the Youth test proceeds to the full consultation, impact assessment and mitigation measures stages. The checklist indicators would be based on the needs and ideas of young people in order to ensure it considers the relevant proposals from their perspective.

3.1.3 Under the next step, the respective assessors are expected to consult meaningfully with youth-related stakeholders in order to ensure that systematic expertise is provided for a thorough analysis. Based on this engagement, the assessors will seek to identify young people's concerns about the potential impacts of the draft policy being tested. This participatory component needs to be transparent and provide space for a wide range of youth representatives, youth-led organisations and young people with relevant expertise to provide input. This way, a systematic approach to the issues tackled by the draft policy proposals can be ensured. Including youth organisations, youth representatives and young people with relevant expertise can give a very diverse and unique background to the impact assessment. Through meaningful engagement, the assessors can receive a comprehensive overview based on the overarching knowledge and expertise that these young people have established. Using this input, the impact analysis can be detailed enough to identify the challenges and aspects where policies might cause disruption.

3.1.4 Based on the available data to be gathered throughout the process and on the outcomes of the consultations, the assessors are able to draft the impact analysis following the topics mentioned in the checklist and also provide foresight analysis for future generations.

3.1.5 If a negative impact is identified, the assessor ought to propose mitigation measures which should primarily focus on groups living in vulnerable situations and disadvantaged young people. It is advisable that, during the consultation, the assessors include questions about possible mitigation measures that could be included in the analysis. In the coming years, it is recommended that an evaluation be carried out to monitor the impact of the policies and how the mitigation measures have addressed the negative impacts.

3.1.6 The EU Youth Test should not substitute meaningful engagement with young people in general and should complement existing participatory mechanisms.

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<sup>(23)</sup> Governance for Youth, Trust and Intergenerational Justice Fit for all generations? Highlights.

<sup>(24)</sup> [https://www.youthforum.org/files/Concept-Note\\_final.pdf](https://www.youthforum.org/files/Concept-Note_final.pdf) and [https://www.youthforum.org/files/YFJ\\_EU\\_Youth\\_Test.pdf](https://www.youthforum.org/files/YFJ_EU_Youth_Test.pdf)

<sup>(25)</sup> OJ C 152, 6.4.2022, p. 27.



3.1.7 The proposal was an outcome of a series of discussions with Europe's largest youth networks, while also being specifically mentioned in several recommendations of the EU Youth Dialogue since it (and its predecessor the Structured Dialogue) was established. Young people expressed their strong wish for a transparent policy-making procedure that would allow young people to contribute to drafting and to monitor the outcomes.

3.1.8 The proposal is also inspired by the SME test, which is an example of a suitable EU level impact assessment tool, based on the three pillars of consultation, impact analysis and mitigation measures<sup>(26)</sup>. Furthermore, like the SME test, the EU Youth Test is also intended to be part of the Better Regulation Toolbox as a separate tool in order to emphasise the role of young people in the future of Europe, in line with the communication of the President of the European Commission.

3.1.9 The proposal is based on the examples of youth impact assessment tools already existing in several Member States, such as Austria, Germany, France, Flanders in Belgium and outside of the EU as well, like in New Zealand and Canada.

3.1.10 The proposed impact assessment is providing a solution to ensure the impact of policies take into account the needs and expectations of young people and provides a scope outside of the traditional youth policy field. Only a small part of the proposals from the European Commission is analysed from the youth perspective. However, a significant part of these proposals directly and indirectly affects the quality of lives of young people.

3.1.11 It is suggested to include the EU Youth Test in the publicly available Better Regulation impact assessments and publishing it on the European Youth Portal. However, the most impactful way should be further explored. Nonetheless, the Directorate-General for Communication is encouraged to actively promote it to ensure its visibility, while the Secretariat-General should support its adoption across different DGs. The EU Youth Test could be also published by those institutions that decide to implement it, including on the website of the EESC. By publishing the assessment and the final version of the proposal the youth stakeholders involved in the consultation will be able to see how their contribution has been taken into account.

3.1.12 The EU Youth Test is proposed to be a structure that can be implemented at local, regional and national level, together with the institutions of the European Union.

3.1.13 The EU Youth Test can potentially improve policies but it also needs to be based on meaningful participatory mechanisms, because drawing on community knowledge is a way to ensure efficiency and bring about improvements.

## 3.2 Youth participation within the EESC

3.2.1 The EESC acknowledges the importance of youth engagement in shaping Europe's future<sup>(27)</sup>, and thus runs several successful initiatives such as 'Your Europe, Your Say!', the Youth Climate and Sustainability Round Tables, and the EU Youth Climate Summit jointly organised by the EESC and the European Parliament. As a follow-up to the EESC's opinion NAT/788<sup>(28)</sup>, the EESC included a youth delegate in its official delegation to the UNFCCC COP meeting for the first time in 2021, on the occasion of COP26. Furthermore, in the context of the European Year of Youth, the EESC Civil Society Prize 2022 will reward effective, innovative and creative initiatives which aim to create a better future for and with young Europeans.

3.2.2 The EESC will endeavour to magnify the voices of young people and youth organisations through more structured, meaningful and targeted youth participatory mechanisms in order to enhance the internal engagement of young people and youth organisations in the EESC's work. Accordingly, the following steps by the EESC should be taken:

- transparent and cross-sectional coordination mechanisms should be introduced to mainstream youth perspectives in the EESC's work and legislation;
- young experts with relevant expertise on key opinions could be introduced;

<sup>(26)</sup> Better Regulation Toolbox — SME Test.

<sup>(27)</sup> SOC/706 *European Year of Youth*, OJ C 152, 6.4.2022, p. 122 and SOC/589 *A new EU Youth Strategy*, OJ C 62, 15.2.2019, p. 142.

<sup>(28)</sup> OJ C 429, 11.12.2020, p. 44.

- in the context of the European Year of Youth, to have youth as a common topic for the autumn round of own-initiatives opinions;
- to hold thematic debates with European youth organisations and grass-root organisations to link national and European perspectives more effectively;
- youth-related topics could be selected for EESC studies <sup>(29)</sup> yearly;
- all opinions drawn up by the EESC should also always take into account the intergenerational perspective (as they do for the gender perspective);
- to build vibrant relations with other EU institutions to map youth participatory mechanisms and to strengthen outreach activities with youth and youth organisations at national, regional and local level;
- to adopt the resolution on youth engagement in the EESC drafted by the Coordination Group for the European Year of Youth;
- to create a ‘youth engagement’ tab on the EESC website to highlight the past, current and future youth-related activities including opinions, public hearings, events etc.;
- a permanent structure could be established within the EESC to ensure that the work on youth engagement within the EESC and with the other institutions will continue beyond 2022.

3.2.3 The EESC will further explore and consider possible ways to apply the EU Youth Test concept in its work to develop a consistent approach on youth involvement in the EESC.

3.2.4 The EESC invites the European Commission to respond to this own-initiative opinion and the EU Youth Test proposal and to brainstorm together on the implementation.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(29)</sup> There is an ongoing EESC study on structured youth engagement: mapping local, national, EU and international good practices to develop the necessary and appropriate mechanisms to ensure that the voices of young people will be heard.

**Opinion of the European Economic and Social Committee on the Role of carbon removal technologies in decarbonising European industry**

**(own-initiative opinion)**

(2022/C 486/08)

Rapporteur: **Andrés BARCELÓ DELGADO**

Co-rapporteur: **Monika SITÁROVÁ**

Plenary Assembly decision	18.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in section	24.6.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	229/0/7

## 1. Conclusions and recommendations

1.1. The EESC reiterates its strong support for the Green Deal commitments and for reinforcing strategic autonomy in energy provision and industrial leadership.

1.2. The effects of the ongoing war in Ukraine on the availability of energy and raw materials cannot be disregarded, and the European Semester must monitor the situation.

1.3. The green transition in the manufacturing industry needs a basis of a sufficient, proper mix of renewable energy for electrification and for the production of green hydrogen to succeed. Carbon Dioxide Removal technologies (CDRs), Carbon Capture and Storage (CCS) and Carbon Capture and Use (CCU) will help the industry to achieve climate neutrality. Deployment of renewable energy across Europe is necessary to achieve the Green Deal targets.

1.4. Decarbonisation will require a deep transformation of industrial activities (in the next 30 years). Although many low-carbon technologies already exist, their technology readiness levels (TRL <sup>(1)</sup>) are low. Ambitious technology roadmaps will be needed to upscale and widely deploy these breakthrough technologies, and the EU must promote innovation through the Climate and Innovation Funds.

1.5. Development of technologies and education and reskilling of the workforce is therefore vital for the green transition in the manufacturing industry. Social dialogue at both European, Member State and regional level should support awareness, acceptance and support of a green and just transition in the industry. Capability building and projects to define key skills will be essential in order to ensure an effective industrial transition that leaves no one behind.

1.6. Increasing the use of alternative feedstocks — in particular sustainable biomass — has the potential to contribute to sustainable removal of carbon from the atmosphere by promoting the sustainable management of productive land (farm and forest land) and the use of biomass in long-lived products that further prolong the removal benefit. Additionally, it would help to reduce the EU's dependence on imported feedstocks and resources.

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<sup>(1)</sup> TRL: Technology Readiness Levels are different points on a scale used to measure the progress or maturity level of a technology.

1.7. The EESC calls for the competitiveness of European industry to be preserved: the EU is a pioneer in CO<sub>2</sub> emissions reduction, but it needs other players to follow its climate ambition. As the climate crisis is global, European Union diplomacy must step up its efforts to effectively persuade third countries to scale up their efforts to fight it. Regardless of the ambitious EU policy objectives, the EU will increasingly become a pioneer for the decarbonisation of industries thanks to its political support and to companies' and their workers' practical knowledge of industrial capacities, the necessary technologies and how to anticipate change, enabling practical measures to be taken accordingly.

1.8. Keeping a sound industrial base within the EU will secure prosperity, quality jobs and a commitment to fighting climate change for European society. European industry must invest in Europe, with a proper regulatory framework, in both R&D&I and plant and equipment, in order to keep its competitive position.

## 2. General comments

2.1. The European climate law has set an ambitious emission reduction target for 2030 while confirming the climate neutrality objective for 2050. In order to reach the European Union's goal, all greenhouse gas (GHG) emissions activities need to be analysed and pathways to net-zero emissions by around 2050 need to be identified.

2.2. Manufacturing industries are responsible for 20 %<sup>(2)</sup> of European emissions. The CO<sub>2</sub>-intensive manufacturing industries in Europe are the iron and steel, cement, chemical and petrochemical, pulp and paper, fertiliser, glass, ceramic, oil refineries and non-ferrous metal (mainly aluminium) industries. The industrial sector's GHG emissions include carbon dioxide (CO<sub>2</sub>) from energy use, from non-energy uses of fossil fuels and from non-fossil fuel sources, as well as non-CO<sub>2</sub> gases.

2.3. The green transition of the manufacturing industry is vital in order to comply with the European climate law. There will be a transition in technologies and, following that, changes in working methods, skills and competencies in the industries. However, demand-side measures to promote the uptake of low-carbon products and new business models (industrial symbiosis, circularity, demand response) will also be needed.

## 3. Manufacturing industry on the pathway to climate neutrality

3.1. This own-initiative opinion focuses on industrial sectors under the ETS. Energy utilities, transport and buildings are not, therefore, covered.

3.2. In addition to the decarbonisation challenge, improving energy efficiency is imperative for every single industrial sector. Although it will not be enough to decarbonise European industry, energy efficiency can significantly reduce emissions from energy consumption. There will be a shift from fossil fuels to non-greenhouse gas emitting technologies, mostly renewable energy. Utilities and public authorities are accountable for the energy transition from fossil fuels to non-emitting technologies.

3.3. In relation to the decarbonisation challenge, industries could be classified as follows:

- sectors that need to radically change their production process: steel (integrated route), fertilisers and chemical industry;
- sectors that need to change the energy vector in the production process: steel (electric arc furnaces), glass, ceramic, paper, etc.;
- 'hard to abate sectors', such as the cement sector, which must capture and store (or use) the CO<sub>2</sub> emitted during the manufacturing process to become climate neutral;
- sectors that may take advantage of Carbon Capture and Utilisation technologies, to develop high value-added products, such as oil refineries and the chemical and petrochemical industries.

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<sup>(2)</sup> European Environment Agency.

3.4. Industrial high-efficiency cogeneration (CHP <sup>(3)</sup>) will certainly contribute to more energy efficiency, but it cannot decarbonise the industry. Alternatively, using low enthalpy heat from the industry for district heating would be another way to raise overall energy efficiency, and it could maybe be credited during the transition path to full decarbonisation.

3.5. Carbon Dioxide Removal (CDR) technologies remove CO<sub>2</sub> already emitted from the atmosphere, thus creating 'negative' emissions. CCS-related technologies, such as bioenergy with carbon capture and storage (BECCS) and direct air capture and storage (DACCS), are an important part of the portfolio of negative emissions technologies. However, despite their climate change mitigation potential, these technologies are currently only at the demonstration stage. Other CDR technologies comprise activities enhancing natural CO<sub>2</sub> sinks, such as afforestation and reforestation, and are outside of the scope of this opinion.

The challenge of the future of CDR in the manufacturing industry is to find a balance where carbon capture and storage is a mitigation option alongside other carbon reduction and removal technologies. GHG reductions and removal must be aligned with the Paris Agreement and the European climate law. CCS can enable the EU to proceed at the necessary pace with GHG removal, but the goal must be to avoid carbon storage in the long run.

3.6. Hydrogen produced by using renewable energy (green hydrogen) seems to be the cross-sectoral answer to the decarbonisation processes. For example, there is a project in Sweden aiming to eliminate greenhouse gas emissions from steel production by using renewable hydrogen. In Finland, a project will demonstrate ways of producing blue and later green hydrogen and capturing CO<sub>2</sub> and permanently store it in the Baltic Sea.

#### 4. Manufacturing industry on the road to decarbonisation

4.1. Of all European industries, we are focusing on the sectors with high potential for improvement and impact on reducing European CO<sub>2</sub> emissions. In the manufacturing industry, the focus is on sectors which have more challenges to overcome in order to decarbonise. This opinion focuses on the steel, cement, chemical and petrochemical, oil refineries, pulp and paper, fertiliser, glass and ceramic industries.

4.2. Before describing technologies that could have an impact on the reduction and removal of carbon dioxide emissions, we have to consider turning from fossil fuel-derived energy sources to other non-emitting sources of energy and other renewable sources. These sources could be wind power, photovoltaic and thermo-solar power, hydropower, geothermal energy, biomass and biofuels.

4.3. There are some industries that would have to adopt existing or new technologies in their processes in order to achieve zero emission of GHGs in order to move to a climate neutral society. Depending on each industry and their current CHG emissions, they may need to take a single or several steps.

4.4. This first step could seem to be 'just' a change in the production/sourcing part of the process. In many other situations, further research and development may be needed, for example to adapt current natural gas burners to hydrogen or to use heat pumps. In addition, considerations regarding the interplay between hydrogen and the materials or products should be addressed too.

4.5. Steel industry:

The challenge for the traditional steel industry (integrated route, which requires iron ore reduction) has already led to several new technological approaches being introduced, which now focus on replacing blast furnaces with electric arc furnaces fed with direct reduced iron (DRI) produced using green hydrogen. Other alternatives already explored rely on CCS technologies, but they cannot meet the GHG reduction target. Iron ore electrolysis could emit up to 87 % less CO<sub>2</sub> than the current integrated route (if the electricity supply is fully decarbonised). Hydrogen plasma reduction aimed at zero CO<sub>2</sub> emissions. In fact, hydrogen steelmaking could emit up to 95 % less CO<sub>2</sub> than the current integrated route (if it uses fully decarbonised electricity), but due to the energy lost during hydrogen production this would increase the industry's energy consumption.

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<sup>(3)</sup> CHP: combined heat and power.

Steel produced in electric arc furnaces emits just 14 % of the GHG emissions from the integrated route and its main challenge is to replace natural gas in the rolling furnaces with green hydrogen or induction electricity.

CCU (using the waste gases of blast furnaces) can reduce emissions by up to 65 % if fully deployed (CO<sub>2</sub> reduction also depends on the full lifecycle of the resulting chemical products). Several are at a more advanced stage of development — the Steelanol demonstration plant (currently under construction — TRL 9) uses waste gas to produce bio-ethanol and the Carbon2Chem project (TRL 7-8) aims to use waste gas as a raw material for chemicals.

#### 4.6. Cement industry:

Only 37 % of emissions in the cement industry come from fuels, while the remaining 63 % of emissions are the result of a chemical reaction of the raw material (process emission). The use of fuels derived from renewable sources (biomass or hydrogen) will therefore reduce emissivity by a maximum of 35 %. Technologies are currently being tested that may allow for the future capture and management or storage of CO<sub>2</sub> (amine method and calcium loop). Another way to reduce emissions is to develop what are known as low-clinker cements, which currently have a TRL of 5-7. Such cements have an emissivity up to 30 % lower than pure Portland cements.

#### 4.7. Chemical industry:

In the chemical industry, the electrification of production processes such as steam cracker electrification aims to cut CO<sub>2</sub> emissions per cracker by 90 %. The chemical sector is an important contributor to restoring sustainable carbon cycles. Chemical products are a massive reservoir of carbon that can fix the carbon for 10-40 years. Today the volume of carbon embedded in chemical products is comparable to total emissions of the industry for the production of those. Even most of this carbon ends up in the atmosphere when products are incinerated at the end of their use, setting up an ambitious circular economy strategy is a pre-requisite for achieving sustainable and climate-resilient carbon cycles by keeping carbon 'in the loop'. The chemical sector can contribute to emission abatement in other sectors by 'absorbing' carbon and storing it in products.

#### 4.8. Pulp and paper industry:

In the pulp and paper industry, a combination of process improvements, including the transition to Industry 4.0, along with investments in state-of-the-art production technologies, are expected to lead to a reduction of 7 million tonnes of CO<sub>2</sub> by 2050. Leveraging its on-site CHP facilities, the industry has the ability to engage on the energy market using surpluses of intermittent renewable energy. The associated decarbonisation benefits could be as high as 2 million tonnes. Further conversion of industrial installations to low- to no-carbon energy sources is projected to deliver an emissions reduction of 8 million tonnes of CO<sub>2</sub>. In addition to some of the breakthrough concepts identified in the Two team Project <sup>(4)</sup>, such as the Deep Eutectic Solvents technology now under development, other innovative and disruptive solutions could complement the emission reduction effort by some 5 million tonnes of CO<sub>2</sub>.

#### 4.9. Oil refineries:

Oil refineries have the potential to contribute to the energy and climate transition of the EU economy in two ways: i) by substantially reducing the carbon footprint of their manufacturing process, and ii) by progressively replacing fuels and other products of fossil origin with fuels and other products based on biogenic or recycled CO<sub>2</sub>. The gradual replacement of fossil energy with bioenergy, coupled with CCU & CCS technologies, will even result in negative GHG emissions. The net GHG emissions generated during use of fuels and other refinery products can be radically cut by progressively switching the feedstock from crude oil to sustainable biomass and recycled CO<sub>2</sub>. The resulting fuels, once burned, will add zero or very low net CO<sub>2</sub> to the atmosphere, thus contributing to the decarbonisation of transport, especially for those modes more difficult to electrify. Investments and new projects in these fields are ongoing. As an example, three of the approximately 80 major refineries in the EU have been converted to biorefineries, completely replacing crude oil with sustainable biomass <sup>(5)</sup>. This climate transition strategy requires lower financial resources than other solutions, as the refineries themselves and the logistics system for the distribution of products can to a large extent be adapted and reused.

<sup>(4)</sup> <https://www.cepi.org/two-team-project-report/>.

<sup>(5)</sup> Gela, Venice biorefinery (eni.com) and La Mède (TotalEnergies.com).

#### 4.10. Fertilisers:

The fertiliser industry is now exploring replacing natural gas as a raw material with green hydrogen. Several pilot projects <sup>(6)</sup> are being developed across the EU, and once green hydrogen becomes available and its cost is settled, the industry will move forward to full decarbonisation.

4.11. In conclusion, the manufacturing industry has potential for decarbonisation through energy efficiency, optimising processes and conversion to renewable energy. R&D&I investments will be needed in order to reach the carbon neutrality goal by 2050. CCS and CCUS technologies are also of importance for manufacturing industries such as the cement industry and where biomass is the energy source.

### 5. Skills and competencies in the future manufacturing industry

5.1. New industrial processes will undoubtedly demand new working methods. Industries and workers will need to adapt the way they perform their duties in the industry, focusing on reducing CO<sub>2</sub> emissions from the very first steps in the manufacturing processes.

5.2. The green transition of the manufacturing industry will change production in many ways, by fully deploying new production technologies and taking advantage of digitalisation. New skills and up- and reskilling, will be needed to achieve a just transition where no one is left behind. Special attention must be devoted to inviting EU citizens and workers, SMEs, social enterprises and regional experts to play a proactive part in the unavoidable change in the places where they live.

5.3. The EU must ensure that knowledge on new technologies and how to implement them in current industries reaches industry workers. Public authorities and companies, within the social dialogue, have to make the effort to leverage already existing skills as well to meet the decarbonisation objectives.

5.4. Full deployment of green hydrogen in the industry will be key for many industries. However, in addition, implementing the CDR technologies will influence skills and competencies in the manufacturing industry and also very much in the supply chain.

### 6. EU action and framework conditions

6.1. The EU legal framework and national regulations have to help decarbonise the industry. It should take into account that there are going to be different possibilities and/or resources to be invested for the transition that differ widely between Member States and between regions in Europe.

6.2. The Just Transition Fund dedicated to supporting regions that are highly dependent on carbon intensive industries is a positive first step. However, the scope, which is limited to regions highly dependent on coal, lignite, peat, oil shale and carbon intensive industries, is too narrow. The EESC, like the European Parliament, proposes dramatically increasing the Just Transition Fund budget, in order to provide support to other sectors that will be affected by the decarbonisation of industry. Additional budget resources should be earmarked to ensure job-to-job transition, alternative, quality job creation in the same regions and proper training, reskilling and upskilling of workers.

6.3. The green transition in industry will require access to abundant carbon neutral energy and feedstock at an affordable, stable and competitive price. Significant investments, including in energy infrastructure, will have to take place in Europe in order to meet industry's need for large quantities of renewable energy.

6.4. The EU regulatory framework must lead the EU economy to meet the objective of net climate neutrality in 2050 by creating the conditions to unlock the huge resources — financial, technological and intellectual — for investments in low-carbon technologies, including Carbon Removal Technologies, to be quickly implemented.

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<sup>(6)</sup> Fertiheria has launched Impact Zero fertilizer plant in Puertollano, Spain.



6.5. Regular incentives are needed to encourage the deployment of carbon capture in manufacturing industries, either at European level — through the Innovation Fund — and in every Member State, but without breaking up the Single Market, which is one of the cornerstones of the EU. Additional EU initiatives will be needed to attract and mobilise private investment.

6.6. Strategic alliances need to be forged at European level in order to speed up the development of this industry, enabling the EU to take the lead in this field. The current state aid rules could be adapted to allow this to happen.

6.7. Particular attention needs to be paid to R&D activities, with dialogue on this at European level. The Innovation Fund must be the preferred vehicle for channelling those activities.

6.8. Public procurement policies should be used to boost the markets for green products where producers are lowering GHG emissions vis-à-vis 'brown' products.

6.9. The identified delay in addressing the climate challenge and time pressure means that European Semester reporting and recommendations to every Member State must include some key performance indicators for helping to reach the needed industry decarbonisation.

6.10. The Strategic Foresight Report should review, periodically, the progress, the most promising scenarios/options and the weak points in attempts to achieve the climate goals. This is even more important as it can provide guidelines for urgent and high-risk investment, but also for reasonable resource-pooling, both vertically and horizontally.

6.11. A warning set of signals show a playing field that is not level and the risk of 'carbon-leakage' to third countries, hindering the no-carbon transition. This underlines once again the importance of introducing the competitiveness check as a risk-filtering and orientation tool.

6.12. There are clearly measured splits in emissions concentrations by Member States, emissions/capita, economic sectors and regions. Due to the time pressure, priority needs to be given to putting forward the quickest and biggest results bringing about decarbonisation steps. Therefore, there should be strong focus on metallurgies, mineral materials and chemicals and the renewable fuels industry.

Early-phase innovations and the desire to use and sell them differ according to the size of companies, with very large groups having an advantage with regard to the former, and SMEs with regard to the latter. Thus, both intersectoral and vertical knowledge transfer should be encouraged and facilitated by creating a favourable business environment.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on The energy and digital transition of rural areas****(own-initiative opinion)**

(2022/C 486/09)

Rapporteur: **John COMER**Co-rapporteur: **Luís MIRA**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Section for Agriculture, Rural Development and the Environment
Adopted in section	30.6.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	173/1/2

**1. Conclusions and recommendations**

1.1 The EESC considers that a combined strategy of energy and digital transition in rural areas has not received the level of attention and support that one would expect. The EESC calls for the swift implementation of the Commission's long-term vision for the EU's rural areas and the mobilisation of stakeholders through the EU Rural Pact. The most vulnerable rural areas need special attention so that no one is left behind. It is vital to focus on energy poverty and areas of rural poverty.

1.2 The EESC is convinced that the future success of Europe will largely depend on how we deal with rural areas in a way that is in balance with urban areas. Rural communities should not be disadvantaged when it comes to digitalisation and options for energy use, e.g. necessary use of private cars due to a lack of public transport.

1.3 The role of local communities has to be leveraged to achieve a just energy transition combined with community development, through the establishment and scaling up of renewable energy communities and citizen energy communities comprising the voluntary coming together of citizens, local authorities and SMEs to promote social and economic benefits.

1.4 The EESC calls for the following policies and instruments to be stepped up:

- Renewable energy policy: the current renewable energy policy is primarily driven by the need to increase capacity rather than increasing synergies with rural community welfare. The necessity to maximise renewable energy capacity is essential and equally essential is the need to quantify and deliver on all rural development issues.
- Tendering policy: the current tendering policy for renewable energy installations is unhelpful for rural communities due to its primary focus on cost reductions rather than the socio-economic needs of rural citizens. All renewable energy installations should aim to be established as cost-efficiently as possible and make a meaningful contribution to the socio-economic needs of rural communities and rural citizens.
- Electricity storage: the electricity storage sector needs to grow. One of the key challenges will be the seasonal security of electricity supplies. Battery storage and smart electrification combined with demand-side responses will help in this regard. Green hydrogen storage will be needed as a backup.

— Specific financing through earmarking of the national recovery and resilience plans and thus ensuring that the money is actually spent in rural areas.

1.5 The EESC calls on the Commission to propose a Digital Rural Act as the third component of the EU digital strategy, together with the Digital Markets Act and the Digital Services Act. Digitalisation will open up new opportunities, especially for young people, which could change population trends by enabling people to work from home and from rural work hubs.

1.6 The EESC stresses that for EU or national recovery and resilience plans to benefit fully from the contribution of rural areas, it is imperative that high-speed internet connectivity is ensured in the whole territory, including sparsely populated zones. The EESC urges governments to either create the conditions for private operators to provide this service or use a state company to provide the service.

1.7 The EESC considers that government authorities and service providers need to develop user-friendly applications specifically adapted to the realities of rural lifestyles and activities. The application of these technologies will for example reduce the carbon footprint of agriculture (precision farming) and help improve the accessibility of remote areas (drones). The public sector must step in if the private sector fails to supply these solutions.

1.8 The EESC stresses that rural users of different ages must be provided with the possibilities for appropriate training and upskilling to use this new digital technology. The inclusivity in less-favoured areas must also enable access to the required devices, either through shared use or through a state subsidy for their purchase.

1.9 The EESC concludes that the deployment of digital technologies in rural areas is necessary to support the energy transition. The rural energy system must be decentralised, which implies a huge need for more and better interconnection, which of itself requires the deployment of digital technologies to match supply and demand and ensure efficient energy flows. The digital application at rural level will have to be highly energy efficient because of the lower utilisation rate and the lower population density. Low energy IT connectivity is a must for rural areas.

1.10 The EESC emphasises that, with 30 % of the EU population living in rural areas, a just rural energy transition is a key element in the just transition to a climate-neutral, sustainable and prosperous European Union, in line with the Territorial Agenda 2030.

1.11 The Commission has proposed that an investment of 20 % of NextGenerationEU will be in digital. The EESC recommends that all Member States devote at least 10 % of these funds to rural digital without imposing undue bureaucracy.

## 2. The energy transition of rural areas

### Introduction

2.1 There is general scientific agreement that the most likely manner in which mankind is influencing global climate change is due to carbon dioxide release from burning fossil fuels.

2.2 Climate scientist Michael Mann says in his book *The New Climate War* that our planet has now warmed into the danger zone and that we are not yet taking the necessary measures to avert the largest global crisis that we have ever faced.

2.3 Dangerous climate change has already arrived in some places due to rising seas. Venice and Miami face significant challenges in this regard. The Amazon region has seen massive forest clearances and climate change induced drought. The quicker than expected melting of the Arctic Ice Cap is of major concern.

2.4 Action is needed among all stakeholders on a global scale to take immediate steps on climate change, by way of mitigation and adaptation measures to reduce greenhouse gas (GHG) emissions. The swift reduction in the use of fossil fuels must be an immediate priority.

## Rural areas

2.5 130 million people or 30 % of the EU population live in rural areas. Rural areas are diverse and greatly influenced by their location. In many areas, especially in Southern Europe, climate change will progressively increase water scarcity, exacerbate flooding and increase the intensity and frequency of wild fires. In Northern Europe, increased rainfall and storms can and will cause significant and costly damage to infrastructure. Higher temperatures will intensify the water cycle and increase the frequency of severe storms. These circumstances demonstrate the need for the fastest possible energy and digital transition in rural areas.

2.6 The idea of rural energy transition has not received the level of attention that one would expect. This is surprising because the resources needed to produce renewable energy are very much linked to rural areas. The majority of renewable energy infrastructure, such as wind turbines, solar and biogas plants are located in rural areas. Transmission grids are also a feature of the rural landscape. Many rural inhabitants feel that these structures are imposed upon them and provide greater benefit to urban areas.

2.7 Rural areas have varied and distinct needs depending on their location. Rural areas can be designated as follows:

- Rural areas within commuting areas of a city (60 km radius) and whose development is integrated with the city.
- Rural regions that are not part of the urban labour market but have a flow of goods and environmental services and other economic activities in and out of the region.
- Remote rural regions where the local economy depends largely on the exporting of primary activities such as agricultural produce out of the region. In particular, these areas tend to have scattered populations and be subject to poor public services.

2.8 These different rural areas face many and varied challenges in implementing an energy transition, which indicates the importance of a just transition in order to achieve the desired objective.

2.9 Many rural areas are physically isolated with little economic diversity and a low population density. In many cases, low incomes and an ageing population increase the vulnerability of rural communities. People living on their own in isolated rural areas with little social interaction presents enormous problems when implementing an energy transition. Energy poverty is a significant problem in these areas.

2.10 The roll out of smart meters is an essential part of the rural energy transition. To date it would seem the roll out of smart meters has been rather slow in rural areas. We must also ensure that low-income households and people with limited computer skills can make the best use of smart meters as part of a just energy transition where no one is left behind. The Recovery and Resilience Facility has allocated EUR 25 billion to support digital skills and education. Member States need to ring-fence an adequate proportion of this fund towards digital skills and literacy training for rural people. The fact that parts of Europe do not have internet is an intolerable situation and must be remedied as soon as possible.

2.11 The EESC has highlighted in its opinion *Towards a holistic strategy on sustainable rural/urban development* <sup>(1)</sup> that agriculture, food and rural policies must tie in with climate change and biodiversity policies. The multifunctional aspect of agriculture is as important as the promotion of non-agricultural activities such as establishing businesses in the clean energy services sector to create job opportunities. The potential of e-commerce needs to be explored.

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(1) EESC opinion *Towards a holistic strategy on sustainable rural/urban development* (OJ C 105, 4.3.2022, p. 49).

2.12 The Communication *A long-term vision for the EU Rural Areas* <sup>(2)</sup> includes a Rural Pact which aims *inter alia* to foster territorial cohesion and create new opportunities to attract innovative businesses. The implementation of this vision would greatly facilitate a just energy transition in rural areas. The EESC has welcomed this approach in its opinion *A long-term vision for the EU's rural areas* <sup>(3)</sup>.

## Transport

2.13 Rural transport provision is a key issue because of poor public transport, sparse population and remoteness from shops and services. In addition, rural people working in urban centres frequently cover long commuting distances to their workplaces.

2.14 There is a need for local and national planning to provide a multi-modal transport system to transition to renewable energy. Such a system must provide choices and alternatives for people transport and goods transport.

2.15 Goods transport in rural areas needs specific attention as regards the energy transition. For example, deliveries of farm supplies and collection of farm produce must be an important part of the planning for the energy transition. Electric-powered heavy goods vehicles (HGVs) and hydrogen-powered HGVs must be the objective to be reached. In the short-term, sustainable biofuels and hybrid vehicles could help to reduce GHG emissions.

2.16 The major expansion of online purchases, especially in rural areas, indicates the importance of reducing the GHG emissions of delivery vans. The use of electric-powered vans would suit this purpose as soon as adequate charging infrastructure is in place. As well, the courier companies need to finance the purchase of electric-powered vans. The immediate priority is to start reducing emissions in every way possible.

2.17 Better public transport provision in rural areas, encompassing reduced GHG emissions and social inclusion and enabling rural development opportunities, needs to be prioritised. Rural public transport must be seen as a public good in the context of energy transition and so public funding is required to promote and facilitate sustainable public transport.

2.18 Private cars are considered to be an indispensable means of rural transport as rural living would be impracticable in their absence. The priority must be to help and encourage rural residents to reduce the use of private cars when possible and to change to low emission vehicles as soon as possible. Financial aid to promote the purchase of electric vehicles must be a key objective for the energy transition in rural areas.

2.19 Battery storage is an effective means of flattening the net demand curve for renewable electricity. The widespread use of electric vehicles (EVs) could help in this regard. When EVs are enabled to send electricity back to the grid, the electric fleet can act as a battery storage asset in addition to other forms of battery storage. It must be financially attractive for consumers to return electricity to the grid from EVs as outlined in the EESC opinion on the Regulation on deployment of alternative fuels infrastructure <sup>(4)</sup>.

## Tourism

2.20 Rural areas often depend on tourism as an important income earner. Therefore, rural areas need to have an adequate alternative fuels infrastructure to encourage the tourist industry while reducing GHG emissions. Car hire companies must be encouraged to move to low emission vehicles and preferably to electric vehicles. Energy transition in rural areas requires action to facilitate greater income from tourism.

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<sup>(2)</sup> COM(2021) 345 final.

<sup>(3)</sup> EESC opinion *A long-term vision for the EU's rural areas* (OJ C 290, 29.7.2022, p. 137).

<sup>(4)</sup> EESC opinion on the Regulation on deployment of alternative fuels infrastructure (OJ C 152, 6.4.2022, p. 138).

## Renewable electricity

2.21 Renewable electricity such as wind, solar and biogas is a major component of the rural landscape. The harmonisation of the legislation among Member States must promote and protect prosumers' interests and motivate investments in renewable energy infrastructures. The capacity to sell the energy produced into the national grid must be made possible in all Member States. There must be adequate compensation schemes between the renewable energy produced by the prosumers and the energy consumed to ensure the energy independence of rural areas.

2.22 Recent auctions for centralised procurement of renewable electricity have become increasingly widespread and have succeeded in many cases in reducing the construction costs of wind and solar facilities. In general, the development of rural electricity is primarily linked to the decarbonisation of the energy sector and there are no synergies with rural development objectives. Rural inhabitants frequently object to such developments as they foresee little benefit to the local community.

2.23 Co-operatives and other locally based organisations need to be involved in agreeing locations for renewable electricity facilities, both land-based and in coastal regions. Local communities need to have a shareholding and obtain a local benefit from such facilities.

2.24 In these large projects, the development of renewable energy is primarily linked to the decarbonisation of the energy sector; there is little concern for rural development. Small-scale wind farms, small solar and anaerobic digesters operated by co-operatives and local people can be more targeted towards rural development, as well as social and economic inclusion of rural communities. There is a need for a balance to be achieved in relation to these two systems. Renewable energy communities and citizen energy communities provide a way to achieve a just energy transition combined with community development.

2.25 A case study in rural Sweden (Ejdemo and Söderholm, 2015) found that, in the absence of community benefit schemes, employment opportunities were very modest in the context of rural development.

2.26 A citizen energy community is a legal entity where citizens, SMEs and local authorities come together as final users to cooperate in the generation of renewable energy. One such example is in the Municipality of Feldheim, (a small village southwest of Berlin) which has become self-sufficient in energy. They have set up wind turbines in their backyard and installed an independent grid. Residents pay minimum prices for electricity. The establishment of a biogas plant enabled the village to establish a district heating network. This is an excellent example of a renewable energy community in operation. It also demonstrates that a bottom up approach is vital for the future of rural areas <sup>(5)</sup>.

2.27 Demand-side response shifts electrical consumption to periods of time when the system can cope with the demand. We need to flatten the net demand curve for electricity during peak demand periods so as to avoid outages as more green electricity is produced. The use of battery storage, hydro storage and smart electrification will provide flexibility in flattening the net demand curve.

2.28 Speaking in Dublin to Irish parliamentarians, energy commissioner Kadri Simson said that the war in Ukraine had forced Brussels to move further and faster to end Russian fuel imports. She said that, under proposals yet to be agreed, the EU will aim to take 45 % of its energy consumption from renewables by 2030. That will be an increase from the present 32 % target and more than double the 22 % share in 2020. The EESC endorses this new target but warns that it can only be achieved by rapidly driving forward with new and greater investment in the rural energy transition.

2.29 The wind does not always blow so a backup will be necessary. Green hydrogen can provide a backup to satisfy the varied demand for electricity and can be stored until required.

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<sup>(5)</sup> ERP WORKSHOP REPORT Workshop 21.

## Agriculture

2.30 Agricultural activity is central to the development and prosperity of most rural areas. This sector of the rural economy faces enormous challenges in achieving energy transition.

2.31 Major work has not been done to reduce the carbon footprint of farm machinery.

2.32 In the immediate future, it would seem that the use of sustainable biofuel provides the best possibility of reducing emissions as existing machinery could be used, when suitably modified.

2.33 Sustainable biofuels are not cheap to manufacture and can be more than twice the price of diesel. Prices may reduce slightly going forward.

2.34 In the future, when electric-powered farm machinery becomes more widely available, it will be possible to significantly reduce emissions.

2.35 Agriculture is mostly a low profit enterprise and so the capital costs of changing to electric-powered machinery would be extremely difficult to finance. Overcoming the problem of financing the change to electric- or hydrogen-powered machinery will be a major issue in the energy transition of rural areas.

2.36 The use of solar panels on farm buildings would enable farmers to use green electricity and, as farming is a high user of electricity, this would be a significant gain in the energy transition. Any surplus could be sold back to the grid.

2.37 Precision agriculture is a data-driven approach to farm management that can improve production and yields and reduce the carbon footprint of farming. This is possible because of advances in digital technology with remote sensing, GPS and satellite steering systems for tractors. All this will be important in the energy transition in farming combined with the requirement for investment, training and upskilling.

2.38 Farmers may have opportunities to sell surplus electricity to the grid as dairy and beef farmers have extensive roofs on their farms. Some farmers may be able to become partners in establishing biomass plants and sell gas to the gas grid. The use of forest residues in biomass plants is important in facilitating forest management in those areas where such materials are available.

2.39 The consequences of the Ukraine war mean that we must look again at food security in the EU. As a priority, land must be used to produce food. There should be no competition with the installation of industrial-scale panels and production of biomass for renewable energy; this should rather be complementary.

## Biomethane

2.40 Biomethane is a biogas from which carbon dioxide, hydrogen sulphide and water have been removed; it can then be injected directly into the gas grid or used in a gas-powered vehicle.

2.41 Anaerobic digesters need to be established near where there is an adequate supply of slurry. Surplus grass silage and maize silage can also be used, provided it does not conflict with food and fodder production.

2.42 There is a need for further research to improve the efficiency of anaerobic digesters and to reduce the cost associated with the process.

2.43 The use of anaerobic digesters needs to be promoted and financed as part of the energy transition in rural areas.

2.44 Biomass energy can be used to produce heat or generate electricity. Biomass will play a vital role in the generation of renewable electricity.



## Rural houses

2.45 There is scope for many rural households to install micro-generation technology such as solar panels and small wind turbines with the possibility of selling any excess supply back into the grid.

2.46 Low-income households need financial assistance to install micro-generation facilities. This would make a significant energy transition in rural households.

2.47 Rural houses are in general less well-insulated and less energy-efficient than urban houses. Many rural houses are standalone houses in weather-exposed sites.

2.48 A major investment programme to retrofit rural housing to improve insulation and energy efficiency is necessary as part of the energy transition. Such an investment will be a major step forward in reducing energy consumption and decarbonising rural home heating. A grant aid scheme will be required as the capital costs of a major retrofit scheme are very high. Low-income households and those experiencing fuel poverty will need special help to achieve such a transition.

## 3. The digital transition in rural areas

3.1 In 2021, the European Commission presented its vision for Europe's digital transformation by 2030. First of all, it highlighted the need for the Digital Markets Act and Digital Services Act legislative proposals to ensure a safer digital space, where users' fundamental rights are protected, and to establish a level playing field for European businesses in the digital world.

3.2 To feed a growing world population, with minimal environmental impact and in a way that promotes carbon neutrality, digital and technological infrastructure is needed in rural areas to facilitate the efficient and precise use of resources in farming. Despite the fact that 30 % of Europe's population lives in rural areas, however, and that these areas account for 80 % of the 27 Member States' territory, digitalisation faces greater difficulties in rural areas which, if not addressed, will undermine Europe's digital ambitions. The European legislative framework for the Digital Rural Act is designed to address these difficulties by promoting:

- guaranteed equal broadband network coverage for all of Europe's regions: currently coverage is good in large urban centres and poor in rural areas; to meet digitalisation targets, this problem must be tackled urgently so as not to open up an even wider gulf between regions;
- infrastructure: ensuring private investment in developing last-mile infrastructure, taking into account non-financial benefits such as socio-economic externalities;
- capacity building: improving the digital literacy of people living in rural areas;
- suitability: promoting the development of applications that meet the needs of the agricultural and rural community, which make little use of digital services designed for the urban environment.

3.3 The Digital Rural Act, as a legislative mechanism of the European Commission, just like the Digital Markets Act and the Digital Services Act, will be a set of rules, obligations and responsibilities aimed at ensuring that European rural areas have access to a set of initiatives, tools and forms of access which, due to low population density, are economically unfavourable to private investment. In this way, the Digital Rural Act will ensure that digitalisation takes place in rural areas, where the need for it is inversely proportional to the financial returns obtained.

3.4 Finally, the Digital Rural Act will be the biggest forerunner of the European Green Deal, the Farm to Fork Strategy and Europe's carbon neutrality in 2050, as the transition to a fair, healthy and environmentally-friendly food system will only be possible if technology and digitalisation are available and accessible to the agricultural and rural world.

3.5 As stressed in the EESC opinion *Upgrading inclusive, secure and trustworthy digitalisation for all* <sup>(6)</sup>, the importance of digitalisation cannot be underestimated, because it can ‘support increased mobility in the labour market, enhance productivity and flexibility at the workplace and enable work-life integration when workers work remotely from home’. For this to happen, a comprehensive set of digital skills is necessary, irrespective of whether workers live in urban or rural areas. However, additional multi-faceted barriers exist in remote locations. Therefore the EESC calls for the dedicated digital skills agenda to support European citizens living in rural areas. This approach, to be represented at the centre of the Digital Rural Act, should simultaneously help to bridge the digital divide and to reap the benefits of the digital transformation of the society.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(6)</sup> EESC opinion *Upgrading inclusive, secure and trustworthy digitisation for all* (OJ C 374, 16.9.2021, p. 11).

**Opinion of the European Economic and Social Committee on the Public investment in energy infrastructure as part of the solution to climate issues**

**(own-initiative opinion)**

(2022/C 486/10)

Rapporteur: **Thomas KATTNIG**

Co-rapporteur: **Lutz RIBBE**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
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Plenary session No	572
Outcome of vote (for/against/abstentions)	162/7/8

## 1. Conclusions and recommendations

1.1. The consequences of the climate crisis are having a major impact on Europe and the world. Although the opportunities available to effectively adapt to climate change have increased in recent years, experts point to insufficient mobilisation of funding, insufficient engagement of citizens and the private sector, and a lack of political leadership.

1.2. To meet increasing demand for electricity and achieve our climate objectives, we must double investment in the electricity grid to EUR 55 billion per year and increase the budget for building clean generation capacity to EUR 75 billion per year<sup>(1)</sup>. In this context, public investment in smart and renewable energy systems and storage infrastructure is of great importance when it comes to ensuring security of supply, tackling energy poverty, keeping prices affordable, and creating jobs.

1.3. The EESC supports the Commission's proposals to speed up and streamline permit-granting procedures in the area of renewable energy and to establish 'go-to areas' for such projects. There is significant potential here to speed up the energy transition. It is all the more important to determine as precisely as possible what simplifications apply in the 'go-to areas'.

1.4. European energy law does not recognise climate protection as an objective of grid regulation. As a result, national regulators also find it difficult to create incentives to transform, expand and modernise electricity distribution grids that meet the requirements of climate neutrality.

1.5. With regard to the future organisation of energy systems and energy infrastructure, the EESC has repeatedly stressed the importance of the active participation of all consumers — households, businesses and energy communities — in developing smart energy systems, as well as the need to create incentives to enable civil society to participate in the energy transition, but also to ensure they contribute when it comes to financing.

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<sup>(1)</sup> This is the conclusion of the federation for the European electricity industry, Eurelectric.

1.6. The EU's rate of public investment in clean energy technologies needed for decarbonisation is the lowest among the major economies and puts the EU's competitiveness at risk. Since deregulation began, investment by electricity companies has been declining. This decline in investment has led to shortages of supply and hampers the further development of renewable energies. The EESC therefore supports the Commission's proposal to use the Recovery Plans and the Recovery and Resilience Facility, as well as additional funding from the Cohesion Fund for regional development and the EU's Common Agricultural Policy pot, to implement the REPowerEU Plan.

1.7. Market design and regulation must be adapted to new future realities in which renewable energies prevail (including more decentralised production and increased on-site consumption). They must also create the necessary conditions for the various players involved, and ensure adequate consumer protection. The EESC welcomes the Commission's intention to explore options to optimise the design of the electricity market and is strongly in favour of market assessments to analyse the behaviour of all potential players in the energy market as well as the energy market design. In any case, the EESC stresses the importance of carrying out a comprehensive impact assessment prior to making any proposals.

1.8. The EESC once again recommends the 'golden rule' for public investments, in order to safeguard productivity and the social and ecological base for the well-being of future generations.

1.9. Blended finance involving private investors is only an option if it can be ensured that allocations are transparent and that there are no unjustified additional costs for the public authorities compared to public financing. There must be full transparency regarding justified additional costs. It is all the more important, when using such blending models, to clearly define rights and obligations, clarify liability issues, and provide for an efficient and rapid conflict resolution system, in order to avoid additional long-term costs and adverse liability issues.

1.10. The EESC underlines that the 'just transition' is not just a question of financing the transition. It also includes the objective of creating decent work, quality jobs and social security, as well as of maintaining the competitiveness of European businesses, and requires specific action at all levels, particularly at regional level.

1.11. The EESC is convinced that particular attention should be paid to defining grid development as an overriding public interest, including climate protection as a regulatory objective and, more generally, synchronising the planning of renewable energies and the electricity grid more effectively. There is an urgent need for specific provisions under EU law.

1.12. The developments of the last decade, the challenges linked to grid expansion, the massive increase in energy prices, the danger of cyberattacks, and, last but not least, the war in Ukraine, clearly illustrate what is at stake: namely the question of who, in future, will have control over key infrastructure such as the energy grid. There is therefore primarily a public interest. This would logically entail public ownership that is committed to the common good and eliminates existing inequalities.

1.13. The issue of the advantages and disadvantages of public and private ownership and/or private financing of energy infrastructure for a well-functioning energy market is undoubtedly important and should be examined in the Commission's planned assessment of options for optimising the design of the energy market. The results of such an analysis can serve as a valuable decision-making tool for Member States, who are responsible for deciding on public or private ownership of energy infrastructures. In the EESC's view, electricity is not only a key strategic commodity for the entire EU economy, but also a public good. The EESC therefore calls on the European Commission to analyse in detail the impact and consequences of the whole process of the privatisation and liberalisation of the European energy sector in relation to its stability, the reliability of supply and the functioning of the electricity market, and to translate the results into a redesign of the entire energy sector, including options for strengthening the role of the national and public sectors.

## 2. Background

2.1. The impact of the climate crisis is already affecting billions of people worldwide, but it is also affecting ecosystems, as highlighted in the latest reports of the Intergovernmental Panel on Climate Change (IPCC). This is despite the fact that the temperature increase has not yet reached the 1,5 °C degree target set in Paris. One particularly problematic issue is the fact that the systems and groups that will be hardest hit by heat, drought, floods, diseases, and water and food shortages often have the fewest resources to deal with them.

2.2. The possibilities for effective adaptation to climate change have increased in recent years. However, in many parts of Europe the measures implemented and planned are not satisfactory. Experts point to insufficient mobilisation of funding, insufficient engagement of citizens and the private sector, and a lack of political leadership.

2.3. The fact that, as a result of the war in Ukraine, Europe is rapidly making large amounts of money available for military purposes is giving rise to fears that financial resources will become tied up as a result, possibly leading to delays with regard to climate action. The EESC therefore welcomes the measures and instruments announced by the Commission in the REPowerEU Plan <sup>(2)</sup> to reduce the EU's dependence on fossil fuels, in particular those originating from Russia, by taking energy saving measures, accelerating the transition to renewable energy, promoting diversification of suppliers, and joining forces to achieve a more resilient energy system and a genuine Energy Union.

2.4. In order to achieve the climate objectives, renewable energy capacity needs to be more than doubled. The cost, in large countries such as Germany, of green electricity that cannot be used or transported and which must be curtailed already amounts to several hundred million euro a year. This economic loss will increase many times over if electricity grids and storage capacities are not rapidly expanded and the possibilities for using electricity locally are not improved. It is important, when planning and regulating networks, to align the development of energy networks with the climate neutrality objective. Distribution networks play a crucial role in this regard; this is because this is where most renewable energy installations are connected.

2.5. To meet these requirements, we must double investment in the electricity network to EUR 55 billion per year and increase the budget for building clean generation capacity to EUR 75 billion per year <sup>(3)</sup>. In this context, the EESC stresses the added value of the Commission's proposals on swift permit-granting procedures for renewable energy projects and the establishment of 'go-to areas' for such projects. The EESC supports speeding up and streamlining permit-granting procedures linked to renewable energy. Particular attention must be paid to distribution grids, as renewables generally feed into these.

2.6. In this context, public investment in smart and renewable energy systems is of great importance when it comes to ensuring security of supply, tackling energy poverty, keeping prices affordable, and creating jobs. There is no doubt that the green transition, in line with the European Green Deal, will have a huge impact on employment in carbon-intensive energy sectors. At the same time, a substantial increase in public investment in climate-neutral energy systems will create numerous new employment opportunities. This calls for corresponding budgetary margins by reshaping the fiscal framework, as proposed by the EESC in its own-initiative opinion of October 2021 on *Reshaping the EU Fiscal Framework for a Sustainable Recovery and a Just Transition*.

2.7. European energy law does not yet recognise climate protection as an objective of grid regulation. As a result, national regulators also find it difficult to create incentives to transform, expand and modernise electricity distribution grids that meet the requirements of climate neutrality.

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<sup>(2)</sup> REPowerEU Plan COM(2022) 230 final.

<sup>(3)</sup> This is the conclusion of the federation for the European electricity industry, Eurelectric.

2.8. With reference to the future organisation of energy systems and infrastructure, the EESC has repeatedly stressed the importance of the active participation of all consumers — households, businesses and energy communities — in developing smart energy systems. Unfortunately, there have been no discernible initiatives in this direction, only promises. The EESC calls for incentives to finally be introduced to mobilise prosumers, renewable energy communities and citizen energy communities, in order to enable civil society to participate in the energy transition and to give consumers the opportunity to actively participate in the market. This will also help to alleviate the problem of the ever-increasing costs associated with the need to curtail renewable energy due to grid congestion.

2.9. The EESC is in favour of adapting the EU rules on the trans-European energy networks (TEN-E) to the objectives of the Green Deal more effectively, combining in particular the decarbonisation of the energy system, the transition to climate neutrality, the development of renewable energy sources, energy efficiency, and the prevention of the risk of fuel poverty. As energy networks play a key role in ensuring the balance, resilience and development of the energy system, the EESC calls for the Regulation to fit more clearly into the process of integrating the energy system, in order to promote all decarbonised forms of energy, and for any form of break-up to be rendered impossible. Against this background, the Committee welcomes the initiative adopted by the Council and the European Parliament to define distribution grids as a matter of 'overriding public interest', alongside renewable energy.

2.10. The current price increases are putting a strain on European citizens and businesses. The EESC notes with regret that its call (\*) for a reduction in strategic dependency on unreliable third parties was not previously translated into action by political leaders, and that on the contrary this dependency has increased. Russia is the largest exporter of oil, gas and coal to the EU and many nuclear power plants depend on Russian fuel rods and technologies. The current energy price crisis would have hit European citizens and businesses much less severely if Europe had reduced its imports of fossil fuels as promised. The EESC therefore welcomes the efforts set out in the REPowerEU Plan to rapidly reduce this dependency, in particular on Russia. The EESC supports the efforts of the EU institutions and the Member States to effectively address the price issue in line with the Communication of October 2021, Communication COM(2022) 236 final on the electricity market, and the tools offered under the State Aid COVID Temporary Framework.

2.11. In the current context, however, the EESC reiterates that it is not primarily a matter of diversifying dependencies, but rather of achieving, as far as possible, 'strategic energy independence and autonomy'. Renewable energy and hydrogen will be a driving force in the decarbonisation process and their production should, as far as possible, be located within the EU.

2.12. LNG currently offers a short- to medium-term substitute for Russian natural gas in some regions, alongside significant energy saving measures. In the long term, if it is available in sufficient quantities and at a reasonable price, green hydrogen is a climate-compatible option. As long as Europe is not able to produce the full volume of gas it needs — which is obviously true in the case of LNG, while in the case of hydrogen the EU still has the possibility to structure its import independence — the right lessons must be drawn from the Russian disaster. When it comes to resources to replace Russian gas, the EESC warns that the EU must take particular care with regard to the impact of these resources on the environment as well as to new dependencies on third countries that do not share European values such as democracy, respect for human rights and the rule of law.

2.13. The EU's rate of public investment in clean energy technologies needed for decarbonisation is the lowest among the major economies and puts global competitiveness at risk. In addition, the European Court of Auditors warns that the REPowerEU strategy may not mobilise enough money. The EESC therefore supports the Commission's proposal to use the Recovery Plans and the Recovery and Resilience Facility, as well as additional funding from the Cohesion Fund for regional development and the EU's Common Agricultural Policy pot, to implement the REPowerEU Plan.

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(\*) EESC opinion on Energy prices (OJ C 275, 18.7.2022, p. 80).

2.14. The impact of the war in Ukraine is seen in some EU Member States, and at EU level, as a definitive impetus for greater energy independence and climate neutrality. The EESC welcomes this. However, the picture is mixed: increased use of liquefied gas and a return to coal are on the cards and could mark a step backwards in the energy transition. The EESC takes a critical view of this, but is aware that, in the short term, having versatile options for generating energy boosts energy security as an emergency measure. In addition to wind and solar power, it is thus important to make use of the wide variety of low-carbon energy sources that fit economically and ecologically within an energy system. At the same time, the EESC calls for more efforts towards the green transformation of the energy system.

2.15. The European Public Service Union (EPSU) published a report <sup>(5)</sup> confirming that the deregulation of the energy system has provided few answers to the ongoing climate crisis. The widespread use of viable alternatives to carbon-emitting energy sources has been made possible largely by substantial public subsidies and not by free market competition. The report shows that, without a change to the current energy system model in Europe, it will not be possible to meet the Paris Agreement commitments.

### 3. General comments

3.1. Due to rapid climate change and the current energy crisis, investment in infrastructure is needed in the short term in order to achieve the objective of climate neutrality by 2050 and ensure energy supply. At the same time, the surge in energy prices has highlighted the weaknesses in the energy market. Fundamental questions need to be asked about the future of energy that ensures a clean, affordable and reliable energy supply and the right to energy. The EESC stresses the urgency of public investment to achieve energy independence from Russian gas imports and supports the measures in this regard proposed by the Commission in the REPowerEU Plan.

3.2. In this connection, it is necessary to take into account the design and regulation of the energy market, to create the necessary conditions for individual players, and to strengthen adequate consumer protections. The EESC welcomes the Commission's intention to explore options to optimise the design of the electricity market and takes note of the Commission's analysis of the electricity and gas markets and of the measures proposed to address high energy prices, as well as the proposals to improve energy networks and storage capacities, as well as the renewed promises to improve market access for small players (prosumers) and ensure security of supply.

3.3. Market design and regulation must be adapted to new future realities in which renewable energies prevail. Keywords: decentralised production and increased on-site consumption. For this to happen, however, the necessary conditions still need to be put in place for the individual players and an adequate level of consumer protection needs to be ensured. Market assessments are needed that analyse the behaviour of all potential players in the energy market as well as the energy market design. In any case, the EESC stresses the importance of carrying out a comprehensive impact assessment prior to making any proposals. The EESC points out the urgent need to combat high electricity prices, including the bundling of electricity and gas prices, which are having a negative impact on the economies of the Member States.

3.4. The question of the degree to which security of supply can be achieved by means of the market, and with which market design, has been put off for a long time. In principle, an energy system based on (largely domestically produced) renewables promises a high level of security of supply. However, this system will not come about of its own accord —

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<sup>(5)</sup> A Decarbonised, Affordable and Democratic Energy System for Europe.  
[https://www.epsu.org/sites/default/files/article/files/Going%20Public\\_EPSU-PSIRU%20Report%202019%20-%20EN.pdf](https://www.epsu.org/sites/default/files/article/files/Going%20Public_EPSU-PSIRU%20Report%202019%20-%20EN.pdf)



having the right regulatory setting is a prerequisite. Particularly important are smart grids that send clear signals to the many millions of producers and consumers so that they behave in a 'system-friendly' way, thereby contributing to security of supply.

3.5. With regard to the financing of infrastructure projects, strict fiscal rules have in the past proved, time and time again, to be the biggest barrier faced by public authorities. The aim must therefore be to exempt projects associated with the European Green Deal, energy independence and the digital sector from any rules that hamper such public investment. Therefore, in line with its opinion on *Reshaping the EU fiscal framework* <sup>(6)</sup>, the EESC recommends applying the 'golden rule' for public investment in order to safeguard productivity and the social and ecological base for the well-being of future generations.

3.6. Blended finance involving private investors is only an option if it can be ensured that allocations are transparent and that there are no unjustified additional costs for the public authorities compared to public financing. There must be full transparency regarding justified additional costs. A European Investment Bank report notes that, for example, PPP contracts in the area of road transport in Europe were on average 24 % more expensive than similar projects with traditional financing <sup>(7)</sup>. It is all the more important, when using such blending models, to clearly define rights and obligations, clarify liability issues, and provide for an efficient and rapid conflict resolution system, in order to avoid additional long-term costs and adverse liability issues.

3.7. The Commission rightly points out that public investments can and need to trigger private money. But REPowerEU does not cover the refinancing of the respective public funds. The abolition of subsidies for fossil resources would be one approach for how to organise it; the taxation of windfall profits, that have their origin in the major oil and gas crisis and find their expression in enormous extra profits especially for big oil companies would be another one. The EESC is concerned that the extremely high profits of energy companies on the one hand and the increased energy poverty caused by energy price surges on the other may have a dangerous destabilising effect on society. The EESC proposes that these profits be skimmed off with the help of taxes and passed on as financial compensation to energy consumers, e.g. financially weaker households or energy-intensive companies, and used for the expansion of renewable energy production and the necessary grid infrastructure, especially as it is already being discussed or implemented in some Members States. The EESC takes the view that in order not to discourage energy companies from investing in low-carbon solutions, such taxation should be defined very sensitively. The EESC calls on the Commission to propose respective measures without any further time delay.

3.8. The primary purpose of infrastructure is that it works, not that it transports electricity from A to B as an end in itself, thereby generating steady returns. The developments of the last decade, the challenges linked to grid expansion, the massive increase in energy prices, the danger of cyberattacks, and, last but not least, the war in Ukraine, clearly illustrate what is at stake: namely the question of who, in future, will have control over key infrastructure such as the energy grid. There is therefore primarily a public interest. This would logically entail public ownership that is committed to the common good and eliminates existing inequalities.

3.9. The EESC underlines that the 'just transition' is not just a question of financing the transition. It also includes the objective of creating decent work, quality jobs and social security, as well as of maintaining the competitiveness of European businesses, and requires specific action at all levels, particularly at regional level. Other key factors for a 'just transition' include an active and organisational role for the public sector and ensuring the democratic participation of the social partners at all levels.

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<sup>(6)</sup> Opinion of the European Economic and Social Committee on 'Reshaping the EU fiscal framework for a sustainable recovery and a just transition' (OJ C 105, 4.3.2022, p. 11).

<sup>(7)</sup> EIB 2006. Ex ante construction costs in the European road sector: a comparison of public-private partnerships and traditional public procurement. Economic and Financial Report 2006/01, Blanc-Brude, F., Goldsmith, H. and Vällilä, T., [https://www.eib.org/attachments/efs/efr\\_2006\\_v01\\_en.pdf](https://www.eib.org/attachments/efs/efr_2006_v01_en.pdf)

3.10. The energy grid is part of our critical infrastructure. Failure or disruption of this infrastructure can cause devastating supply shortages and threaten public security. Critical infrastructure such as transport and traffic circulation, health services, finance and security, to name but a few, are increasingly in the hands of private operators in Europe due to the wave of deregulation and privatisation in recent decades. This is problematic as the sectors are interlinked and the vulnerability of one sector reduces or limits the ability of other critical infrastructure to operate (cascade effect). On the one hand, these interdependencies are difficult to estimate and, on the other hand, it is in the public interest to ensure their operational performance. Particularly in the event of market disruptions or a disaster, it becomes crucially important for public coordinating bodies with the power to ensure regionally coordinated resilience to have access. These risks are particularly high in the case of electricity, without which the functioning of an advanced 21st century civilisation is practically unthinkable, and widespread blackouts would lead to the breakdown of society as a whole.

3.11. Given that buildings in Europe account for around 40 % of energy consumption, a smart link with new technologies, implementation-effective renovations and the promotion of new civic participation models play a particularly important role in the energy transition and in increasing energy efficiency in the housing sector. The Electricity Directive promotes this participation of consumers in the production of renewable electricity and provides an essential basis for the acceptance of decentralised energy production. In this connection, harmonisation for the whole EU area is important in order to enable as many households as possible in Europe to participate in the energy transition. Concepts such as energy sharing and community energy in general offer reasonable prospects for using energy grids for small-scale, demand-driven, grid-centred supply.

3.12. The EESC reiterates its position that the aim should be to achieve the greatest possible reduction of greenhouse gas emissions at the lowest possible socio-economic cost. The EESC recommends combining instruments compatible with a well-regulated market and regulatory measures when needed, including financial instruments with the support of the Multiannual Financial Framework and NextGenerationEU to contribute to a more efficient energy environment. However, it must also be clear that, where careful analysis indicates that there are well-founded indications of existing market failure or a threat of such a failure, the public authorities must remedy this situation, for example by investing or intervening in the market.

#### 4. Specific comments

4.1. Investments in energy infrastructure are about boosting security of supply and the development of renewable energy in a swift, efficient and cost-effective manner for the benefit of consumers and the economy. In this connection, everything centres on one key question: who will have control over key infrastructure such as the energy network and storage infrastructure in the future? Since deregulation began, investment by electricity companies has been declining. This decline in investment — in the grid and in generation — has led to shortages of supply and hampers the further development of renewable energies.

4.2. From an economic point of view, the question arises as to why an energy network that is attractive to investors because it represents a reliable investment should not also be attractive to the State. The annual dividends paid by private companies could be reinvested in public ownership in the public interest and would relieve the burden on public finances. Not least because some partial privatisations in the past have already shown that public ownership would have been the rational choice in purely financial terms. A number of Member States already use public or semi-public structures. At the same time, there is a trend towards re-municipalisation. The issue of the advantages and disadvantages of public and private ownership and/or private financing of energy infrastructure for a well-functioning energy market is undoubtedly important and should be examined in the Commission's planned assessment of options for optimising the design of the energy market. The results of such an analysis can serve as a valuable decision-making tool for Member States, who are responsible for deciding on public or private ownership of energy infrastructures.

4.3. In this context, local and regional energy supply and the remunicipalisation of utilities are becoming increasingly important, especially in the context of decentralisation strategies. In this context, public investment in decentralised energy production at local level plays a key role. Other financing possibilities, such as direct financing through funds, should be explored. Roofs on public buildings are particularly well suited to supplying cheap solar energy to entire neighbourhoods.

4.4. In some Member States, financial incentives are provided in order to step up the roll-out of photovoltaics. In a letter to the Commission, Austria, Belgium, Lithuania, Luxembourg and Spain request that administrative buildings, supermarkets, flat roofs and industrial installations be required to be equipped with photovoltaic systems under certain conditions. Photovoltaic systems should also become the norm for new and renovated houses. They call on the Commission to make more money available from the EU budget for developments in this direction. The EESC welcomes this idea and calls on the Commission to analyse what investment, regulations, and accompanying measures such as research and development, are needed to boost the development and production of photovoltaics in the EU.

4.5. Energy as a social good: in this connection, the EESC points to the implementation of the EU's shared values regarding services of general economic interest within the meaning of Article 14 of the Treaty on the Functioning of the European Union (TFEU), as set out in Protocol No 26 to the TEU and the TFEU on services of general interest. This would increase efficiency and affordability and avoid market failures.

4.6. The current energy crisis highlights the particular importance of energy as an asset with social relevance. In addition to maintaining quality jobs and employment, the link between social and environmental aspects is becoming clear. Public ownership can ensure democratic control, public investment, security of supply, and a fair distribution of the costs of transforming the energy sector to renewable energy sources.

4.7. In order to avoid bad and misguided investments, existing ambiguities and inconsistencies concerning the new energy system's basic structures, market architecture, market roles and market rules need to be addressed, and in particular the social impact on workers and consumers needs to be resolved immediately. A fair distribution of the investment burden plays a central role in this regard — the same applies to a fair distribution of any profits. Ensuring investment needs and profitability is one of the key issues to be addressed in order to ensure the optimal functioning of the energy market in the long term. The EESC takes note of the conclusions of the ACER study and the Communication on the electricity and gas markets in this regard and welcomes the Commission's intention to assess the electricity market.

4.8. An important aspect of the energy transition will be coordination and organisation between importers, regional grid operators, civic energy companies, self-suppliers and energy communities using their electricity locally, as well as storage companies and distributors.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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## ANNEX

The following amendment, which received at least a quarter of the votes cast, was rejected during the discussion:

**Point 2.9****Amend as follows:**

Section opinion	Amendment
<p>The EESC is in favour of adapting the EU rules on the trans-European energy networks (TEN-E) to the objectives of the Green Deal more effectively, combining in particular the decarbonisation of the energy system, the transition to climate neutrality, the development of renewable energy sources, energy efficiency, and the prevention of the risk of fuel poverty. As energy networks play a key role in ensuring the balance, resilience and development of the energy system, the EESC calls for the Regulation to fit more clearly into the process of integrating the energy system, in order to promote all decarbonised forms of energy, and for any form of break-up to be rendered impossible. Against this background, the Committee welcomes the initiative adopted by the Council and the European Parliament to define distribution grids as a matter of 'overriding public interest', alongside renewable energy.</p>	<p>The EESC is in favour of adapting the EU rules on the trans-European energy networks (TEN-E) to the objectives of the Green Deal more effectively, combining in particular the decarbonisation of the energy system, the transition to climate neutrality, the development of renewable energy sources, energy efficiency, and the prevention of the risk of fuel poverty. As energy networks play a key role in ensuring the balance, resilience and development of the energy system, the EESC calls for the Regulation to fit more clearly into the process of integrating the energy system, in order to promote all decarbonised forms of energy, <b>including nuclear</b>, and for any form of break-up to be rendered impossible. Against this background, the Committee welcomes the initiative adopted by the Council and the European Parliament to define distribution grids as a matter of 'overriding public interest', alongside renewable energy.</p>

**Reason**

Nuclear power generation plays and will continue to play an important role among the wide range of low-emission technologies, as highlighted by EC president von der Leyen in recent speeches.

**Outcome of the vote on the amendment:**

Votes in favour: 44

Votes against: 109

Abstentions: 14

**Opinion of the European Economic and Social Committee on the Co-creation of services of general interest as a contribution to a more participative democracy in the EU**

**(own-initiative opinion)**

(2022/C 486/11)

Rapporteur: **Krzysztof BALON**

Co-rapporteur: **Thomas KATTNIG**

Plenary Assembly decision	20.1.2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	7.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	226/0/2

## 1. Conclusions and recommendations

1.1. The co-creation of services of general interest (SGIs) by civil society organisations and directly by citizens is one of the most effective tools for stimulating participative democracy, and thus for bolstering European integration. For this reason, in this opinion the European Economic and Social Committee (EESC) is proposing concrete measures to improve the framework conditions in the EU in this area, in order to further enhance the protection of citizens' rights and benefits.

1.2. Crisis situations such as the recent Russian aggression against Ukraine and the resulting displacement of millions of people, mostly women and children, particularly highlight the crucial role played by civil society, with its immediate capacity to spontaneously, but also successfully, combine or implement co-creation models and procedures, especially with regard to social and educational SGIs, in areas where there is already experience of genuine co-creation.

1.3. Historically, civil society actors have always offered social and other services of general interest, when public authorities had not yet identified the need for them or because commercial companies did not regard their provision as profitable. In most cases, the State then entered the arena later on as a provider or client and regulator, and also as a guarantor of service quality. In this context the principle of subsidiarity between the Member States and the EU, as laid down in Article 5(3) of the Treaty on European Union (TEU), must also be applied with respect to SGIs. Moreover, regarding SGIs, the subsidiarity principle should also be a guiding principle in the relationship between all levels of public administration of the Member States, as well as between public authorities and civil society organisations.

1.4. While legal and political responsibility for the provision of SGIs remains with the elected officials of the relevant representative bodies, and is regularly evaluated by citizens by means of elections, it is the public authorities that supervise the proper provision of SGIs. The EESC supports targeted implementation of the co-creation approach: SGIs should be developed jointly with users, communities and civil society organisations to ensure firstly that they meet people's real needs and secondly that they enable democratic participation. This is particularly true in cases where salaried employees cooperate with volunteers or self-help structures.

1.5. The Member States are therefore invited to develop and/or improve tools to ensure that the public and civil society organisations are involved throughout the process of providing services of general interest. This includes providing proper framework conditions for non-profit social economy activities, as set out in the EESC's opinion of 18 September 2020 on *Strengthening non-profit social enterprises as an essential pillar of a socially equitable Europe* <sup>(1)</sup>, and implementing Article 77 of Directive 2014/24/EU on public procurement <sup>(2)</sup> in a way that reserves contracts for health, social and cultural, as well as educational, services, as listed in that article, to not-for-profit organisations.

1.6. The EESC points out that the high-quality provision of services of general interest in the interests of the public and the economy is dependent on, and must be provided with, adequate resources, i.e. funding and staffing.

1.7. Although the framework conditions for the provision, and thus the co-creation, of SGIs are primarily the responsibility of the Member States, regions and municipalities, there is also an urgent need to encourage the Member States to develop co-design concepts by creating a toolkit that facilitates the use of co-creation models. Such initiatives should encourage all relevant stakeholders in the Member States to promote the co-creation and provision of SGIs by civil society organisations.

1.8. The EESC proposes that the Commission publish a working document on this subject as a basis for further work, aiming at the creation of a 'toolkit', which should encourage and guide national, regional and local authorities towards enhanced use of co-creation models. This document should, among other things, consider co-creation in light of Article 14 of the Treaty on the Functioning of the European Union (TFEU) and Protocol 26 to the TEU and the TFEU, taking account of the European Pillar of Social Rights, the specific role of the non-profit social economy in co-creation and the framework conditions necessary to that end. The document should also include proposals for EU and national support for innovative co-creation projects, taking into account research components, and a set of best practices. Based on the toolkit as described above, after wider consultation at EU level, a green paper and then a white paper could be launched.

1.9. For its part, the EESC will set up a forum to exchange ideas and best practices in this field, involving civil society organisations, the social partners, universities and research projects, in order to maintain and develop the discussion process at European level.

## 2. Background

2.1. The further development of participative democracy in the European Union is one of the key challenges for strengthening European integration in order to combat populism and nationalism. The co-creation of SGIs by civil society organisations and directly by citizens is one of the most effective tools for stimulating participative democracy.

2.2. For a number of years, the EESC has been involved in modernising and developing SGIs in cooperation with various stakeholders from civil society and the world of academia and research. Within the Committee, the Permanent Group on Services of General Interest is mainly responsible for this work.

2.3. In 2019, the EESC started working with the Co-creation of Service Innovation in Europe (CoSIE) consortium <sup>(3)</sup>, which comprises universities, municipalities and civil society organisations from nine Member States (Estonia, Finland, Greece, Hungary, Italy, the Netherlands, Poland, Spain and Sweden) and the United Kingdom. The Permanent Group on SGIs followed up on innovative experiences and conclusions from the CoSIE project in two seminars: 'Co-creation of services of general interest: the role of citizens and their organisations' held in Brussels on 15 April 2021 and 'Citizens serving citizens: co-creation and provision of services of general interest by civil society organisations' held in Lublin, Poland, on 1 and 2 December 2021, in cooperation with the city of Lublin and involving partners from Ukraine.

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<sup>(1)</sup> OJ C 429, 11.12.2020, p. 131.

<sup>(2)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN>.

<sup>(3)</sup> <https://cosie.turkuamk.fi>.



2.4. Co-creation is intrinsically linked to wider debates about public service reform. The focus of the new public management (NPM) paradigm was on increasing effectiveness, applying managerial models from the private sector, and building provider-consumer relationships in public services, in which the needs, demands and choices of service users served as the starting point. This was a dominant model in the 1990s and 2000s, but received criticism for not being as effective and efficient as expected as well as for its limited innovative potential<sup>(4)</sup>. The focus of post-NPM trends ('paradigmettes'<sup>(5)</sup>) of public service innovation are built upon an active, jointly producing citizen instead of a passive individual consumer motivated by atomised self-interest, and they also focus on enhancing integration and coordination between networks of user groups and stakeholders instead of disintegration. Co-creation is regarded as a key concept in the post-NPM models<sup>(6)</sup>.

2.5. The outcomes of the work that the EESC has carried out in this area so far show that the co-creation and provision of SGIs by citizens and their organisations boost participative democracy and also develop the social economy in the EU, amongst other crucial roles that SGIs play as an indispensable enabler of all other activities in society.

### 3. Services of general interest

3.1. As part of European integration, with its characteristic tension between unity and diversity, a new concept was developed to refer to services governed by specific rules and standards. The aim is to ensure that all citizens and stakeholders have access to essential services that form and will continue to form the basis for a decent life and that are and will remain vital for participation in society: SGIs. SGIs can be provided in different settings, either in competitive markets as economic services of general interest or as non-economic services of general interest that are excluded from these markets. The Commission distinguishes<sup>(7)</sup> here between services of general economic interest (SGEIs), non-economic services and social services of general interest (economic or non-economic). Article 106 TFEU applies to SGEIs<sup>(8)</sup> and economic services.

3.2. This concept has gradually been enhanced and clarified.

3.2.1. SGIs are part of the EU's shared values and play a role in promoting social and territorial cohesion in the EU<sup>(9)</sup>. In this regard, the EESC points to the EU's shared values regarding services of general economic interest within the meaning of Article 14 TFEU, as set out in Protocol No 26 on services of general interest annexed to the TEU and to the TFEU. Further developing the principles set out here could result in improving efficiency and eliminating shortcomings.

3.2.2. There are three dimensions to these shared values: the discretion of national, regional and local authorities in meeting the needs of users; respect for diversity and differences in the needs, preferences and democratic choices of users, and for different geographical, social and cultural situations; a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights<sup>(10)</sup>.

3.2.3. These services are an essential component of the economic and social systems of the EU Member States and, overall, a key element of the European social model. European citizens and businesses quite rightly expect a wide range of reliable, stable and efficient services of general (economic) interest to be available in high quality and at an affordable price. These services ensure that collective needs and interests — public interest missions — can be met. The EESC explicitly points out that the high-quality provision of these services that are so essential to the public and the economy is dependent on, and must be provided with, adequate resources, i.e. funding and staffing.

<sup>(4)</sup> Drechsler, W. (2009) Towards a Neo-Weberian European Union? Lisbon agenda and public administration, *Halduskultuur—Administrative Culture* 2009, 10(1), 6-21.

<sup>(5)</sup> Çolak, Ç. D. (2019) Why the new public management is obsolete: an analysis in the context of the post-new public management trends, *Croatian and Comparative Public* 2019, 19(4), 517-536, <https://doi.org/10.31297/hkju.19.4.1>.

<sup>(6)</sup> Torfing, J., Sørensen, E., & Røiseland, A. (2019) Transforming the public sector into an arena for co-creation: Barriers, drivers, benefits and ways forward. *Administration & Society* 2019, 51(5), 795-825, <https://doi.org/10.1177/0095399716680057>.

<sup>(7)</sup> [https://ec.europa.eu/info/topics/single-market/services-general-interest\\_en](https://ec.europa.eu/info/topics/single-market/services-general-interest_en).

<sup>(8)</sup> Enshrined in the Treaty of Rome; currently Article 106 TFEU.

<sup>(9)</sup> TFEU — General provisions, Article 14.

<sup>(10)</sup> Protocol No 26 to the TEU and the TFEU.



3.2.4. Access to SGEIs is a fundamental right<sup>(11)</sup> and is included in the European Pillar of Social Rights<sup>(12)</sup>. While Principle 20 of the Pillar explicitly refers to 'essential' SGIs, other Pillar principles cover important services of general interest such as education, housing and assistance for the homeless, long-term care, inclusion of people with disabilities and health care, to name but a few.

3.2.5. Single market and competition rules do not apply to non-economic services of general interest; only the general principles of the EU apply to them (transparency, non-discrimination, equal treatment, proportionality)<sup>(13)</sup>.

3.2.6. The EU and the Member States 'take care that such services operate on the basis of principles and conditions, particularly economic and financial conditions, which enable them to fulfil their missions.'<sup>(14)</sup>

3.2.7. SGEIs are subject to the rules contained in the Treaties, in particular to the rules on competition, in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them<sup>(15)</sup>.

3.3. SGIs aim to meet the needs of all citizens and stakeholders, taking into account their development in time and space, and are dynamic in nature. They can cover areas such as safety and security, health, social services — including the inclusion of people with disabilities, long-term care and social housing<sup>(16)</sup> — and education, as well as the essential services explicitly mentioned in Principle 20 of the European Pillar of Social Rights<sup>(17)</sup>.

3.4. With respect to SGIs, the principle of subsidiarity between the Member States and the EU is laid down in Article 5(3) TEU. The EU sets out a general framework of principles geared towards meeting the needs of all citizens and economic and social players, while the Member States and regional and local authorities establish and implement SGIs. Moreover, regarding SGIs, the subsidiarity principle should also be a guiding principle in the relationship between all levels of public administration of the Member States, as well as between public authorities and civil society organisations.

3.5. SGIs are exposed to multiple tensions between: guaranteeing fundamental rights; local objectives of economic, social and territorial cohesion; the objectives of sustainable development, environmental protection and the fight against climate change; and implementing the social market economy, the single market and competition rules. Evolutionary balances must be found on a case-by-case basis, in a pragmatic manner and with the involvement of all stakeholders, in order to meet the needs of each individual and community.

#### 4. Co-creation of services of general interest

4.1. Civil society actors have always offered social and other services of general interest, because public authorities had not yet identified the need for them or because commercial companies did not regard their provision as profitable. In most cases, the State then entered the arena later on as a provider and regulator, and also as a guarantor of service quality.

4.2. Territorial entities provide services of general interest themselves, or commission them. While political responsibility rests with the elected officials of these governments, and is regularly evaluated by citizens by means of elections, it is the public authorities that supervise the proper provision of SGIs. There are two different approaches that can be taken: top-down, i.e. initiatives by national, regional or local authorities; and bottom-up, i.e. co-creation involving citizens and/or civil society organisations. This opinion refers to the latter approach. The EESC supports the broad implementation of the co-creation approach: SGIs should be developed in cooperation with users, communities and civil society organisations to ensure both that people's needs are met and that democratic participation is enabled.

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<sup>(11)</sup> Article 36 of the Charter of Fundamental Rights.

<sup>(12)</sup> Point 20 of the pillar.

<sup>(13)</sup> Protocol No 26 to the TEU and the TFEU.

<sup>(14)</sup> Article 14 TFEU.

<sup>(15)</sup> Article 106 TFEU.

<sup>(16)</sup> In view of the worsening housing crisis in many Member States, affordable housing is also increasing in importance as an essential service.

<sup>(17)</sup> 'Water, sanitation, energy, transport, financial services and digital communications.'

4.3. However, the areas as well as the level of the implementation of co-creation is context-dependent. Not all services, communities and service providers — particularly those in critical infrastructure areas such as energy and water supply — fit a radically new way of approaching services and sharing responsibilities, but every step towards enhancing the power of co-decision and fostering effective solutions in a collaborative way proves rewarding. To maximise user involvement, the 'ladder of co-creation' <sup>(18)</sup> might be recommended, with different levels of systematic engagement of relevant public and private actors, starting from a lower level of engagement (when public agencies aim to empower citizens in order to enhance their capacity to master their own lives and encourage them to co-create the services they are offered by the public sector) through to the highest level (when collaborative innovation based on joint agenda-setting and problem definition, joint design and the testing of new and untried solutions as well as coordinated implementation drawing on public and private solutions is facilitated).

4.4. Co-creation implies the adoption of strength-based or asset-based ways of working. An asset-based approach mobilises the resources (material and immaterial), capabilities and aspirations of service users instead of only recording and satisfying their needs. This approach builds on the assumption that all citizens have valuable, frequently unrecognised assets (culture, time, lived and learned experience, practical know-how, networks, skills, ideas) that they can contribute to the development and delivery of services. The methodological toolkit of co-creation embraces a number of methods, from satisfaction surveys, such as in e-commerce, and polls, to the various ways of expressing opinions using digital tools, focus groups and panels, to participatory methods (e.g. social hackathons, open space technologies, LivingLabs, world cafés, service blueprints, design thinking, user journeys and various online participative tools).

4.5. However, co-creation is not a technical solution and it cannot be achieved via a single exercise. It is an approach that penetrates the service design and delivery processes at various stages. In its more radical forms, the toolkit extends to forms of co-governance that promote a power shift and sometimes a transfer of ownership of services to people and communities. This includes the formal involvement of people with lived experience in governance agreements, reciprocal agreements, cooperatives and community organisations.

4.6. The precondition for a successful co-creative process is to invite all potential user groups in order to be able to represent their interests. Biased participation favouring those citizens who have more resources and are more willing to participate might lead to undemocratic processes.

4.7. Another sine qua non of co-creation is trust between participants in the process, which can only be built between service providers and stakeholders if there is transparency about what the service should be achieving via its co-creation processes and the extent to which it shares the scope and reach of the service openly with the co-creators <sup>(19)</sup>.

4.8. Co-creation should always take place in the context of national, regional and local needs planning. Conflicts between different needs profiles must always be taken into account. When these needs are recorded, public debates can take place to discuss suggestions for how to prioritise them and to provide criteria to be used by the relevant mediation and decision-making bodies in order to ensure high quality, reliable provision and accessibility, equal treatment and respect for users' rights. Indeed, the benefit for society as a whole must remain the ultimate goal of SGIs. The co-creation process must under no circumstances unintentionally lead to a reduction in the quality of services, unjustified price increases or reduced access to services.

4.9. Co-creation is a dynamic interaction between service providers, service users and other stakeholders that involves various potential stages:

4.9.1. co-initiation: jointly determining the objectives and purposes of individual services from the very beginning of the process;

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<sup>(18)</sup> Torfing, J., Sørensen, E., & Røiseland, A. (2019) Transforming the public sector into an arena for co-creation: Barriers, drivers, benefits and ways forward. *Administration & Society* 2019, 51(5), 795-825, <https://doi.org/10.1177/0095399716680057>.

<sup>(19)</sup> <https://cosie.turkuamk.fi/arkisto/index.html>

4.9.2. stakeholder engagement: engaging new actors (users, clients, service deliverers) and keeping them engaged during the process;

4.9.3. co-design: jointly designing the service;

4.9.4. co-implementation: jointly providing services;

4.9.5. co-management: jointly organising and managing services;

4.9.6. co-governance: jointly formulating policies;

4.9.7. co-evaluation: jointly assessing the effectiveness and efficiency of services or the decisions made based on a set of criteria.

4.10. In this context, it is worth mentioning that there are already innovative models in use in which the provision of a public service is not possible at all without the active involvement of users <sup>(20)</sup>.

4.11. It is essential that SGIs should be developed as part of a collaborative effort with users, communities and civil society organisations in order to ensure that they create and enrich the value in SGI offerings — i.e. increased wellbeing or shared understanding of the common good that can be a basis for developing policies, strategies and services. In a co-creative service development process, people who use services work with professionals to design, create and deliver services <sup>(21)</sup>. Therefore, in this process, the roles of the innovator, service provider and service user converge.

4.12. The added value of co-creation always lies in the active cooperation that takes place between the public authorities with legal or political responsibility for the provision of SGIs, the service providers and the users, who should be involved in the democratic co-creation process. Co-creation thus enhances the democratic legitimacy of political decisions.

4.13. This added value particularly helps to enhance democratic participation when service providers are civil society organisations or from the non-profit social economy, where full-time staff cooperate with volunteers or self-help structures, or when civil society organisations representing the interests of users can exert a real influence on public or private service providers. In addition, co-creation also has a moral dimension; it strengthens communities, cohesion and trust between actors <sup>(22)</sup>.

4.14. This can also be seen in crisis situations. A recent example is civil society organisations providing services (especially in the social and educational fields) to and with the participation of war refugees from Ukraine. Civil society's immediate capacity to spontaneously, but also successfully, implement co-creation models and procedures proved crucial and possible in territories that had already experienced successful co-creation processes.

## 5. Policy initiatives at EU level

5.1. Though the framework conditions for the provision, and thus the co-creation, of SGIs are primarily the responsibility of the Member States, regions and municipalities, national, regional and local authorities need to be encouraged to provide adequate support for the provision of high-quality services of general interest. To this end, there is an urgent need to encourage the Member States to develop co-design concepts by creating a toolkit that facilitates the use of co-design models. Such initiatives should encourage all relevant stakeholders in the Member States to promote the co-creation and provision of SGIs by civil society organisations, in part because the co-creation approach greatly helps to adapt services to changing needs, modernise them and gear them towards the future.

<sup>(20)</sup> For example, 'services publics partagés' (shared public services) in France: <https://service-public-partage.fr/>.

<sup>(21)</sup> Social Care Institute of Excellence (2015) *Co-production in social care: what it is and how to do it?* SCIE Guide 51.

<sup>(22)</sup> C. Fox et al. (2021) *A New Agenda for Co-Creating Public Services*, Turku University of Applied Sciences, <https://julkaisut.turkuamk.fi/isbn9789522167842.pdf>.

5.2. To this end, the EESC calls on the European Commission to adopt a cross-cutting approach, taking into account its various areas of responsibility and all stakeholders, in order to develop a toolbox incorporating different forms of co-creation, pilot projects that have been carried out and the conclusions to be drawn from these projects.

5.3. More specifically, the EESC proposes that the Commission publish a working document on this subject as a basis for further work, aiming at the creation of a 'toolkit', which should encourage and guide national, regional and local authorities towards enhanced use of co-creation models. This document should, among other things, consider co-creation in light of Article 14 of the Treaty on the Functioning of the European Union (TFEU) and Protocol 26 to the TEU and the TFEU, taking account of the European Pillar of Social Rights, the specific role of the non-profit social economy in co-creation and the framework conditions necessary to that end, as set out in the EESC's opinion of 18 September 2020 on *Strengthening non-profit social enterprises as an essential pillar of a socially equitable Europe* <sup>(23)</sup>. Moreover, the document should refer to the implementation of Article 77 of Directive 2014/24/EU on public procurement <sup>(24)</sup> in a way that reserves contracts for health, social and cultural, as well as educational, services, as listed in that article, to not-for-profit organisations. Furthermore, the document should also include proposals for EU and national support for innovative co-creation projects, taking into account research components, and a set of best practices. Based on the toolkit as described above, after a wider consultation at EU level, a green paper and then a white paper could be launched.

5.4. For its part, the EESC would set up a forum to exchange ideas and best practices in this field, involving civil society organisations, universities and research projects, in order to maintain and develop the discussion process at European level.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(23)</sup> OJ C 429, 11.12.2020, p. 131.

<sup>(24)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN>.

**Opinion of the European Economic and Social Committee on Thematic partnerships under the Ljubljana Agreement**

**(exploratory opinion)**

(2022/C 486/12)

Rapporteur: **David SVENTEK**

Co-rapporteur: **Florian MARIN**

Referral	Council — Czech presidency, 26.1.2022
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	9.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	190/1/4

### 1. Conclusions and recommendations

1.1 The EESC strongly supports the statements presented in the Ljubljana Agreement concerning the Urban Agenda for the EU (UAEU), and particularly welcomes the strong focus on partnership and multilevel and multi-stakeholder approaches in sustainable urban development.

1.2 Thematic partnerships should deliver tangible and sustainable actions and results that last longer than the partnerships themselves. Transferring results to other Member States, regions, cities or sectors should be a continuous consideration. The territorial distribution and geographical balance of these opportunities should be monitored so that they may benefit vulnerable regions and cities.

1.3 The link between the UAEU and Cohesion Policy could be strengthened. Despite being two distinct policies and initiatives with different objectives embedded in different frameworks, synergies should exist. Interconnected tools and instruments for a more coherent support to cities under Cohesion Policy are needed, as well as intersectoral and interinstitutional cooperation and integration at strategic and operational level. Thematic partnerships should be given more legitimacy in the future.

1.4 Predictable and financially supported implementing mechanisms that translate European strategic goals into concrete actions, and proper funding at local level are crucial for small and medium-sized urban authorities and for their continued participation in the UAEU processes.

1.5 The EESC believes that the criteria used for selecting partners for thematic partnerships needs to be more specific, open and inclusive. The selection process should not neglect the social partners and civil society organisations' opportunity to participate in this process alongside urban authorities. It is important to take into account the ex-ante assessment made for greening cities and sustainable tourism.

1.6 Working conditions, career predictability, and access to high-quality jobs, equal opportunities and adequate wages should be approached in an transversal way. Ensuring all kinds of dialogues and consultations with stakeholders such as social dialogue, civic dialogue and consultations with citizens should be taken into account.

1.7 The EESC suggests that the bottom-up approach, thematic clusters, thematic networks and networks for developing tailored and place-based solutions be taken into account, alongside the ability to use existing thematic and city networks, especially for small and medium-sized cities.

1.8 The EESC's role in the governance of the UAEU and of the Ljubljana Agreement could be strengthened. The EESC should also become part of both the Urban Development Group and the Urban Agenda Technical Preparatory Group, and involved in the Directors General meeting on urban matters.

1.9 Participatory democracy, the economy of wellbeing in cities and urban-rural connections could be additional themes approached by the thematic partnerships, with a special attention on youth.

1.10 The EESC reiterates its suggestion to establish a dedicated secretariat for improving the thematic partnerships' efficiency and effectiveness, in order to ensure a link with urban policies at local level, to ensure technical assistance and to facilitate the creation of thematic communities and the exchange of thematic best practices. This should be done in close cooperation with European Committee of the Regions.

## 2. Background

2.1 On 26 November 2021, EU ministers responsible for urban matters adopted the Ljubljana Agreement and its multiannual working programme, which starts a new phase of the urban agenda for the EU. This document provides for concrete steps to renew the EU urban agenda, with the common goal to make it more impactful and efficient. The multiannual working programme complements the political declaration, and sets out the operational parameters, work method and steps for implementing the next phase of this multilevel governance and multi-stakeholder initiative.

2.2 The 14 UAEU priority themes<sup>(1)</sup> are still valid: inclusion of migrants and refugees; air quality; urban poverty; housing; circular economy; jobs and skills in the local economy; climate adaptation (including green infrastructure solutions); the energy transition; sustainable use of land and nature-based solutions; urban mobility; the digital transition; innovative and responsible public procurement; culture and cultural heritage; and security in public spaces.

2.3 The Ljubljana Agreement adds the following four themes to this list of priority themes: cities of equality, food, greening cities, and sustainable tourism. These were added on the basis of co-creative processes, and linked to the New Leipzig Charter, EU policies, other emerging urban development trends, and the needs of cities.

2.4 The forthcoming Czech Presidency of the Council of the European Union has asked the EESC to explore how the changes from the new Ljubljana Agreement could impact the creation of new thematic partnerships. Two of the four themes agreed upon in Ljubljana will be further developed during the Czech EU Presidency: greening cities, and sustainable tourism.

## 3. General comments

3.1 The EESC strongly supports statements presented in the Ljubljana Agreement concerning the Urban Agenda for the EU, and particularly welcomes the strong focus on partnership and multilevel and multi-stakeholder approaches in urban development.

3.2 At the same time, the EESC supports continuing and further developing the Urban Agenda for the EU, in full respect of the principles of proportionality. Also, the principle of additionality should be carefully managed at the local level.

3.3 The EESC welcomes the fact that the Ljubljana Agreement recognises the EESC's importance and role in supporting the Urban Agenda for the EU. As mentioned in the EU Urban Agenda multiannual working programme, the EESC is capable and willing to provide input and support regarding the territoriality of the development, partnerships, and economic and social aspects of urban development, and regarding the dissemination of EU urban policies.

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<sup>(1)</sup> [https://ec.europa.eu/regional\\_policy/en/policy/themes/urban-development/agenda](https://ec.europa.eu/regional_policy/en/policy/themes/urban-development/agenda)



3.4 The diversity, complexity, and sustainability challenges of urban development policies require multilevel and multi-stakeholder approaches that prioritise partnerships. The Ljubljana Agreement recognises the importance of partnership on improving knowledge. Thematic partnerships should deliver tangible and sustainable actions and results that last longer than the partnerships themselves. Transferring results to other regions, cities or sectors should be a continuous consideration. The territorial distribution of these opportunities should be monitored. Cities should be motivated and incentivised to use European development opportunities and to be active at EU level.

3.5 The diversity of cities and their development policies is difficult to navigate, and an issue for which there is currently no general solution in EU urban development policies. A customised approach that values partnership, civil society and social partners is needed. Solutions for the future of development strategies should include different perspectives, expertise and disciplines. The EESC opinion *Revision of the Territorial Agenda of the EU, the Leipzig Charter and the Urban Agenda for the EU* <sup>(2)</sup>, recommends using the most appropriate support instruments for each type of territory while respecting subsidiarity, which will alleviate symptoms of deprivation, backwardness and isolation in the case of at-risk regions.

3.6 Fair competition across all kinds of cities should be ensured when financing their sustainable development, meaning equal access to funds for small and medium cities. The competition principle should also be adapted to this situation and should always be taken into account.

3.7 A new element included in the Ljubljana Agreement is the ex-ante assessment of themes. These assessments aim to deploy a pragmatic, effective and result-oriented approach, with the goal of increasing the impact of future UAEU deliverables. They will also allow to tailor the selection criteria for partners. The EESC recommends that the exchange of best practices, including partnership and cooperation models, be a constant consideration for urban policy stakeholders and future thematic partnerships.

3.8 Customising instruments financed by EU funds and public money should be established in order to implement the thematic partnership action plans. Adapted support (financial instruments, grants and funds) should be established to ensure that the thematic partnership implementation process runs in an efficient way, especially with regard to help for small and medium cities and organisations. Access to this support should also be fair, making sure that small organisations and cities are not left behind.

3.9 Instruments such as Integrated Territorial Investments and Community-Led Local Development have been widely successful and should be continued and strengthened based on stable and predictable implementing mechanisms. The EESC believes that there is also scope for an integrated approach <sup>(3)</sup> in terms of the possibility of linking public and private financial resources in order to increase capacity and share risk, for the benefit of both territorial and urban development subject to democratic control, transparent governance and accountability.

3.10 Innovation should always be considered when dealing with sustainable urban development challenges. It is recommended that access to innovation, as well as innovation idea sharing and scaling up, be transversely inserted into Cohesion Policy for 2021-2027, and into partnership agreements at Member State level. Testing new relevant and innovative solutions should not be neglected, especially in domains such as Technologies 4.0, Industry 5.0, or in Web3 technologies, as well as in social innovation. There is an important role for the European Urban Initiative in capacity building and innovative action support.

3.11 Marginalised regions and cities and their vulnerable populations should be a continuous concern in development policies, with the aim to improve quality of life for all citizens. Reducing poverty should also be a main priority. Access to quality inclusive education, social services, healthcare and other public services is crucial for ensuring a fair post-pandemic recovery for cities. When developing and implementing thematic partnerships, special consideration should be given to vulnerable groups of city residents, in particular to older people, people with disabilities, minorities, immigrants, refugees,

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<sup>(2)</sup> OJ C 429, 11.12.2020, p. 145.

<sup>(3)</sup> See EESC opinion on *Revision of the Territorial Agenda of the EU, the Leipzig Charter and the Urban Agenda for the EU* (OJ C 429, 11.12.2020, p. 145).



and the socially, economically and culturally disadvantaged, among others. Their involvement should be ensured through capacity building within the process. The EESC strongly recommends that reducing new forms of social, economic, environmental and territorial inequalities be made a priority, and for this, the fair and diverse involvement of the different stakeholders should be guaranteed.

3.12 The Ljubljana Agreement identifies organisational and expertise support needs, as well as some support needs for smaller cities. As the UAEU remains an informal and voluntary initiative, members should also contribute to supporting the partnerships and implementing the actions. The EESC believes that the technical support required under the partnerships should take into account the sustainability of the partnerships' end results. A strengthened, integrated and participatory approach should also be continuously taken into consideration, alongside data gathering and usage for evidence-based investments.

3.13 Nevertheless, predictable and financially-supported implementing mechanisms that translate European strategies into concrete actions, and proper funding at local level are crucial for small and medium-sized urban authorities and for their continued participation in the UAEU processes. Additionally, this principle should be carefully managed in the implementation of thematic partnerships.

3.14 Cohesion Policy offers a variety of tools and instruments for sustainable urban development in the 2021-2027 programming period. The new policy objective 5, 'A Europe closer to citizens', aims to develop specific tools for implementing local development strategies in cities and towns of all sizes. The minimum urban earmarking of the ERDF in each Member State directed towards priorities and projects selected by cities based on these strategies has been increased from 5 % to 8 %. Moreover, the European Urban Initiative was created to offer more coherent support to cities. The EESC recommends that thematic partnership opportunities be continuously disseminated at local level, and involve all the relevant stakeholders, including the EESC. In the future, urban earmarking could be higher.

3.15 Due to the increased volatility and the diverse number of risks, thematic partnerships need to contribute to strengthening resilience and responsiveness to asymmetric shocks, such as COVID-19 and other similar situations. The condemnable war in Ukraine is influencing urban development in the border countries. Thematic partnerships should be adapted to deal with short-term crises, and be coupled with strategic long-term approaches.

#### 4. Specific comments

4.1 The EESC believes that the criteria used for selecting partners in the thematic partnerships needs to be more specific. The selection process should not neglect the social partners and civil society organisations' opportunity to participate in this process alongside urban authorities, including those representing vulnerable groups such as older people, people with disabilities, minorities, immigrants, refugees, and the socially, economically and culturally disadvantaged, among others. These organisations should be encouraged and motivated to become involved in partnerships under the UAEU.

4.2 As per the Pact of Amsterdam (PoA) the EESC is invited to contribute, within its competence, to the further development of the UAEU, and is one of the PoA stakeholders. The PoA's validity was reiterated in the New Leipzig Charter Implementing Document and the Ljubljana Agreement. The EESC's role in the UAEU and the Ljubljana Agreement should be strengthened. The EESC is a major European stakeholder responsible for the economic and social variables of development policies, and has the capacity, expertise and legitimacy to contribute to the three pillars of the Ljubljana Agreement: better funding, better regulation, and better knowledge. The EESC should be formally recognised and should play a role in the Ljubljana Agreement's main governance bodies, and become part of both the Urban Development Group, and the Urban Agenda Technical Preparatory Group, and involved in the Directors General meeting on urban matters.

4.3 The EESC believes that future thematic partnerships should include themes such as participatory democracy, the economy of wellbeing in cities and urban-rural connections<sup>(4)</sup>, these being in line with the territorial development concept used in the European strategic framework. The EESC recommends that a clear link between the partner selection process, themes selection and the SDGs, and the partnership contributions in implementing the SDGs should be protected.

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<sup>(4)</sup> See the EESC own-initiative opinion on *Towards a holistic strategy on sustainable rural/urban development* (OJ C 105, 4.3.2022, p. 49).

4.4 In the future, thematic partnerships could be organised in thematic clusters, existing thematic networks, and networks for developing tailored and place-based solutions for cities. Increasing access to the networks, especially for small and medium-sized cities, should be kept in consideration. Cities should be at the heart of the thematic partnerships' bottom-up approach to ensure a synergy between local situations and the thematic partnerships which are in place.

4.5 The consultation process used by the thematic partnerships should include all forms of dialogue and consultations such as social dialogue, dialogue with citizens and civic dialogue, and include all types of civic stakeholders, such as social partners, NGOs and citizens.

4.6 The EESC suggests establishing a secretariat for thematic partnerships with the Commission and other relevant stakeholders to support thematic partnerships, ensure the link with urban policies at local level, ensure technical assistance, and facilitate the creation of thematic communities and the exchange of thematic best practices. Enough resources should be allocated to ensure an efficient administration and effective thematic partnerships, especially to implement the action plans.

4.7 The EESC recommends that the link between the UAEU and cohesion policy be strengthened. Despite being two distinct policies and initiatives with different objectives embedded in different frameworks, synergies should exist, most notably in the scope of the Knowledge Sharing Platform <sup>(5)</sup> and capitalisation activities to be developed under the European Urban Initiative. Existing action for the implementation of the thematic partnerships could be mentioned in the operational programmes, in the different calls for proposals, or in the criteria of project evaluations. The results of the thematic partnership's work should feed into the planning of the new Cohesion operational programmes.

4.8 There needs to be more coherence and a stronger link between locally implemented urban policies and EU policies, in particular Cohesion Policy. Interconnected tools and instruments for a more coherent support to cities under cohesion policy are needed, as well as intersectoral and interinstitutional cooperation and integration at strategic and operational level. Also, regional competitiveness must be completed through complementarity between urban and rural areas, and with strong social cohesion under the 2021-2027 Cohesion Policy.

4.9 Working conditions, career predictability, and access to high-quality jobs, opportunities and adequate wages are important variables for the fairness and equity of urban development processes, and should be approached in a transversal way in matters of city greening, food supply chain sustainability, the circular economy and sustainable tourism. Investment in people should remain one of the development strategies' top priorities. Fair access and equal opportunities, and the capacity to exercise fundamental rights are crucial for the success of thematic partnerships.

4.10 Due to the concentration of resources and needs in urban areas, the European Semester should take a more individual approach to the effectiveness of urban development policies so that no one and nowhere is left behind. Coherence with other European instruments such as the European Pillar of Social Rights should be a constant consideration.

4.11 Development strategies and projects that are highly complex in nature are in increased demand. The EESC suggests that for these types of investments, local and regional authorities strengthen capacity in the areas of citizen participation, strategic foresight and diverse scenarios preparation, strategic planning and implementing public investments. This is crucial for the successful sustainable development of European cities, and for reorienting cities to people. Data convergence from different partnerships and access to data using open data platforms, along with digital justice and digital democracy, should be taken into account.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(5)</sup> [https://ec.europa.eu/info/research-and-innovation/strategy/strategy-2020-2024/our-digital-future/era/knowledge-exchange-platform-kep\\_en](https://ec.europa.eu/info/research-and-innovation/strategy/strategy-2020-2024/our-digital-future/era/knowledge-exchange-platform-kep_en)

**Opinion of the European Economic and Social Committee on Tackling energy poverty and the EU's resilience: challenges from an economic and social perspective**

**(exploratory opinion requested by the Czech Presidency)**

(2022/C 486/13)

Rapporteur: **Ioannis VARDAKASTANIS**

Request by the Czech Presidency of Letter, 26.1.2022  
the Council

Legal basis	Article 304 of the Treaty on the Functioning of the European Union Exploratory opinion
Section responsible	Employment, Social Affairs and Citizenship
Adopted in section	22.6.2022
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Plenary session No	572
Outcome of vote (for/against/abstentions)	137/2/5

## 1. Conclusions and recommendations

1.1. Ensuring equal access to energy and the security of energy supply at affordable cost must be an absolute priority for the European Union (EU) and its Member States. With the spike in energy prices, more and more EU citizens and consumers are being affected by energy poverty across Europe. Those who were already facing energy poverty are seeing their situations worsen and consumers who in the past did not face issues in paying their energy bills are at risk of falling into poverty. This situation has been impacted by current geopolitical tensions, including the war in Ukraine and the Member States' dependency on energy imports. Urgent measures need to be adopted to prevent and tackle energy poverty faced by EU citizens and consumers.

1.2. The EESC acknowledges the importance given to energy poverty in EU initiatives, including legislation and policies, in particular in the 'Fit for 55' package, the implementation of the European Green Deal and the Renovation Wave. Those measures are essential to tackling energy poverty in the long term and ensuring sustainability. However, the EU's resilience will only be measured by the way the EU and the Member States address the critical social, environmental and economic challenges faced by its citizens and businesses.

1.3. To tackle the current energy poverty crisis, the EESC calls for the establishment of a broad and ambitious political coalition to analyse and address energy poverty from a holistic approach with the objective of bringing it to a minimum level by 2030 and eliminating it altogether in the long term. The coalition should include the European Commission and its Energy Poverty Advisory Hub, the European Parliament, the Council, the Member States, the European Committee of the Regions, the European Economic and Social Committee, the Covenant of Mayors and organised civil society organisations, including representatives of businesses, consumer organisations and organisations representing the populations most at risk of energy poverty. The actions of the coalition should be further developed in an EU Strategy against energy poverty and the Commission should encourage Member States to develop national plans or policies to eradicate energy poverty, integrating and giving coherence to all policy and funding instruments at EU and national levels.

1.4. Considering the importance of the issue, the EESC urges the EU to promote a common approach to energy poverty that will allow for a tangible and shared understanding of energy poverty and the collection of statistical data, taking into account Member States' differences and particularities. Such an approach is also needed to monitor the situation and the impact of actions taken across the Union.

1.5. The EESC notes that the Commission has already started proposing immediate and long-term actions to protect consumers and combat energy poverty, for example through its Recommendation on energy poverty, its energy price toolbox, its REPowerEU communication and the proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality. While Member States' actions may depend on national and local particularities, it is essential for the EU's resilience that in times of urgency, Member States activate a variety of measures (such as direct financial support and social policies, as well as incentive and supports to decrease energy consumptions) to mitigate the negative effects of rising prices on the most vulnerable consumers and businesses.

1.6. The EESC stresses the importance of investing in fair and efficient energy to alleviate energy poverty in the long term. This means ensuring available funding is invested in renewable energy and energy efficiency, as well as in the large-scale renovation of buildings in a way that supports the lowest-income groups, by making sure that vulnerable people have money to invest in energy efficiency and by prioritising the worst performing buildings. The Commission should work closely with the Member States to evaluate whether the budget available meets the needs and demands and the options available to further support Member States.

1.7. As energy poverty is rooted in general poverty, it is also essential that the Commission and Member States continue to focus on reducing poverty overall. This crisis is a reminder of the constant need to improve access to employment, social inclusion and decent standards of living, with particular attention to people living in rural and remote areas, and to support the economic growth of Member States.

1.8. The EU and Member States need to ensure an investment-friendly environment in Europe for zero and low-carbon energy. Furthermore, reskilling and upskilling will play an important role in the green transition, Renovation Wave and energy efficiency. Other beneficial measures could include providing energy education, advice and consultation, which must be widely available and affordable at local level (for example through one-stop shops).

## 2. General comments

2.1. Energy poverty is an increasing issue and concern for EU citizens and businesses. In 2020, 8 % of the EU population reported not being able to keep their home adequately warm<sup>(1)</sup>. Today that number is likely to have risen, as energy prices have sharply increased since mid-2021. In March 2022, energy annual inflation in the EU hit 40,2 %, with the highest annual rate of change in energy prices reaching 99,6 % and the lowest 0 %<sup>(2)</sup>. Energy prices are also impacted by geopolitical tensions, including the war in Ukraine and the EU Member States' dependency on energy imports<sup>(3)</sup>. The combination of higher energy, transport and food prices is exacerbating the pressure on all consumers, but especially low-income households which suffer higher rates of energy poverty. Energy poverty therefore remains a major challenge with a significant social impact. Lifting vulnerable citizens out of it is an urgent task for the EU and its Member States.

2.2. Energy poverty results from a combination of factors, including low income, inefficient buildings and appliances, and lack of information on and access to incentives to reducing energy consumption. High energy prices also affect citizens and businesses, raising utility bills and putting micro, small and medium-sized enterprises in a very precarious environment<sup>(4)</sup> and at risk of bankruptcy, consequently leading to potential job losses, which contribute to poverty. 'Vulnerable micro-enterprises' are also significantly affected by the price impact of the inclusion of buildings in the scope of Directive 2003/87/EC and lack the means to renovate the buildings they occupy. The spike in energy prices has a cascade effect and translates into higher costs for all sorts of goods and services. Europe faces a risk of stagflation, lower economic growth, and high inflation, which are additional factors of poverty<sup>(5)</sup>.

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<sup>(1)</sup> <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20211105-1>

<sup>(2)</sup> Source dataset: prc\_hicp\_manr.

<sup>(3)</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy\\_production\\_and\\_imports](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy_production_and_imports)

<sup>(4)</sup> REPowerEU: Joint European Action for more affordable, secure and sustainable energy (8 March 2022).

<sup>(5)</sup> The Commission recognised the negative impact of high energy prices on the economy, including business competitiveness, with the European Central Bank's estimation (before the Russian invasion) that the energy price shocks would reduce GDP growth by around 0,5 percentage points in 2022. See REPowerEU: Joint European action for more affordable, secure and sustainable energy (8 March 2022).

2.3. Those hardest hit by energy poverty are low-income Europeans such as the poorest workers, low-income pensioners, students, young adults, families with many children, and single parents, as well as disadvantaged populations with already high poverty rates, including persons with disabilities, older persons, migrants and Roma minorities. Women are at a higher risk of energy poverty and its impacts because they receive, on average, lower wages and because they depend on domestic heating and cooling to a greater extent as they spend more time at home due to care duties. In addition, people in eastern and southern Member States are on average more affected by energy poverty <sup>(6)</sup>.

2.4. Ensuring equal access to clean and affordable energy for all EU citizens is an important commitment for the EU and its Member States. The European Pillar of Social Rights includes energy among the essential services to which everyone is entitled access (principle 20). 'Access to affordable, reliable, sustainable and modern energy for all' is also one of the objectives set out in the 2030 Agenda for Sustainable Development (SDG 7). Adequate warmth, cooling, lighting, and energy to power appliances are essential services that underpin a decent standard of living and health. Access to energy services is also essential for social inclusion. Taken together, the multiple benefits of tackling energy poverty can directly boost economic growth and prosperity in the EU.

2.5. In the last decade, the EU addressed energy poverty in various legal and policy documents, such as the Third Energy Package (2009-2014), the 2015 Energy Union strategy, and the 2019 Clean Energy for All Europeans legislative package designed to facilitate a just energy transition. It is also an important part of more recent initiatives, such as the European Green Deal, including the Renovation Wave and the Fit for 55 package. Fit for 55 takes energy poverty into account in several of its proposals, including the proposition for a new Social Climate Fund, which should mitigate the negative social impact of the envisaged carbon price on transport and buildings, and the proposal for a recast of the Energy Efficiency Directive, which proposes a definition of energy poverty <sup>(7)</sup>. The package also includes a proposal for a Council Recommendation on ensuring a fair transition towards climate neutrality, which sets out specific guidance to Member States on how to address the relevant employment and social aspects of the green transition, which has now become particularly relevant in the context of accelerating the transition due to the rise in energy prices and the geopolitical context.

2.6. In 2020, the European Commission adopted a Recommendation on energy poverty, which provides guidance on appropriate indicators for measuring energy poverty and on the definition of a 'significant number of households in energy poverty'. It also contributes to the sharing of best practices between Member States and identifies the available EU-level support through a mix of funding sources that allows national, regional and local authorities to use their full financial firepower, including grants and subsidised renovation to limit upfront investment. Other important initiatives include the Energy Poverty Advisory Hub's support for local projects, which is currently in its first year of providing technical support, the energy prices toolbox that has been helping Member States use appropriate tools to support citizens and businesses in dealing with high energy prices, the support for vulnerable households and businesses extended under REPowerEU <sup>(8)</sup>, and the recent establishment of the Energy Poverty and Vulnerable Consumers Coordination Group <sup>(9)</sup>.

2.7. However, the EESC notes that without swift implementation, strong commitments and concrete measures by Member States, including a common approach to understand and address energy poverty at EU level that may lead to a common definition, while leaving it to each Member State to find tailor-made solutions, the initiatives presented so far by the Commission will not be sufficient to address the current crisis which is affecting more and more consumers.

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<sup>(6)</sup> EU SILC 2020, which uses variables about people's self-reported ability to keep their home adequately warm, the presence of poor housing conditions and arrears in energy bills. It has shown that, while energy poverty occurs across the EU, it is particularly prevalent in eastern and southern European States.

<sup>(7)</sup> Article 2(49) of the proposal for a recast of the Energy Efficiency Directive defines energy poverty as a 'household's lack of access to essential energy services that underpin a decent standard of living and health, including adequate warmth, cooling, lighting, and energy to power appliances, in the relevant national context, existing social policy and other relevant policies'.

<sup>(8)</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_1511](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1511)

<sup>(9)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32022D0589>



### 3. Tackling energy poverty from a holistic lens: a call for a political coalition and a strategy against energy poverty

3.1. As energy poverty is the outcome of social, environmental, economic and geopolitical factors, it requires a holistic approach, including a global analysis of the issue and the involvement of various stakeholders, from consumers, civil society organisations and businesses, to European, national, regional and local authorities. To do so, the EESC calls for the establishment of a broad and ambitious political coalition. The coalition should include the European Commission and its Energy Poverty Advisory Hub, the European Parliament, the Council, the Member States, the European Committee of the Regions, the European Economic and Social Committee, the Covenant of Mayors and organised civil society organisations, including representatives of businesses, consumer organisations and organisations representing the populations most at risk of energy poverty.

3.2. Member States should continuously be in contact with consumers and local and municipal authorities working on the issue. Towns, cities and regions are often best placed to identify those households at risk of energy poverty at an early stage, and thus best placed to tackle it in the most effective way. Local and national businesses can also be important actors, together with national and local authorities (including municipalities and municipal services) <sup>(10)</sup>, in activities aimed at reducing energy poverty, including by contributing to the Renovation Wave. As vulnerable consumers are generally less likely to be able to quickly adapt their consumption patterns, they should be consulted and involved at all levels. It is critical to incorporate their experiences and behavioural attitudes into the design and implementation of measures.

3.3. Civil society organisations have a key role to play in facilitating dialogue between citizens, businesses, workers, consumers and decision-makers. In view of their expertise and networks on the ground, civil society organisations must be involved in the development of measures to address energy poverty, including in relation to designing, implementing and monitoring strategies to end energy poverty.

3.4. The EESC recommends that the coalition develop an EU strategy against energy poverty on the Commission's initiative. The strategy should be based on the recognition of a right to energy, and establish ambitious but realistic targets towards the objectives set out under the European Pillar of Social Rights action plan, and aim at ending energy poverty in the long term. It should include energy and non-energy measures to address the root causes of energy poverty, and to alleviate conditions for energy-poor and vulnerable consumers. Such a strategy is also necessary to ensure that climate and energy transitions are designed and implemented to be just, fair and inclusive, leaving nobody behind. It could include an annual meeting (to monitor progress and to raise awareness of joint actions), requirements for regular structured dialogues and awareness-raising with Member States and all relevant stakeholders, and create additional incentives to invest in energy transitions. The Energy Poverty Advisory Hub could have an enhanced role in its implementation and monitoring.

3.5. In parallel, the European Commission, the Council, the Parliament and Member States at national levels must continue to ensure that existing and new legislative and policy initiatives adequately address energy poverty. This should be done, for example, during the implementation of the European Green Deal and the Renovation Wave, by reviewing and reporting on the progress of national energy and climate plans and long-term building renovation strategies, as well as by focusing more on energy poverty in the European Semester process. Legislative initiatives and reviews are also important opportunities to further address energy poverty, such as the upcoming reviews of the Energy Performance of Buildings Directive, the Renewable Energy Directive, and the Energy Efficiency Directive, as well as the proposal for a Social Climate Fund. In addition, the European Union must ensure that all new initiatives to provide affordable, secure and sustainable energy continue to pay particular attention to the impacts on the most vulnerable consumers in order to mitigate the impact of high energy prices. This includes initiatives for a low-carbon economy and those to end Europe's dependency on Russian fossil fuels, such as the Communication on REPowerEU.

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<sup>(10)</sup> COM(2020) 662 final.

3.6. The Commission should encourage Member States to develop national plans or policies to eradicate energy poverty, integrating and giving coherence to all policy and funding instruments at EU and national levels. The EESC calls on Member States that show a lack of commitment to tackling energy poverty under their national energy and climate plans to step up their efforts with clear monitoring and evaluation frameworks. Accurate and improved reporting is crucial, as there is little available, high-quality evidence on how energy poverty should be quantified and monitored.

#### **4. Tackling energy poverty by adopting immediate and long-term actions to measure the phenomenon and protect consumers**

4.1. The EESC urges the EU to promote a common approach to understand and address energy poverty at EU level, that may lead to a common definition. It is a fact that each Member State can decide on its own criteria to define energy poverty and the lack of a common approach could hamper the Commission's ability to properly assess the situation and prevent Member States from having a common understanding of the issue and a coordinated response. The definition provided in the proposal for a recast of the Energy Efficiency Directive and the indicators previously set up by the European Energy Poverty Observatory (EPOV) <sup>(11)</sup> are a start. Considering the urgency of the issue, the EESC considers that the Commission and the Member States must promote a common approach that allows for a tangible and shared understanding of energy poverty and collection of statistical data <sup>(12)</sup>.

4.2. In its energy prices toolbox, the Commission proposed several immediate actions that could be taken by Member States to alleviate energy costs for consumers, such as price caps, tax breaks and subsidies for consumers and businesses, as well as social measures, such as specific social payments and temporary deferrals of energy bill payments, taking into account the situation and needs of vulnerable people such as persons with disabilities, single parents and families with many children. By February 2022, Member States had adopted many of the measures recommended in the toolbox. For example, 18 Member States transferred funds to vulnerable groups and 11 Member States reduced energy tax <sup>(13)</sup>. Given the different situations in each individual Member State (and within each individual region) and the measures taken, the number of EU citizens vulnerable to energy poverty varies across the Union.

4.3. The EESC calls on the Member States to continue adopting immediate actions whenever necessary to protect consumers in or at risk of energy poverty, while taking into consideration national, regional, and local needs and specificities. While there is no one-size-fits-all solution as energy prices vary widely across the EU due to, among other things, the fact that the Member States intervene in the markets very differently today (e.g., with taxes and duties, exemptions or burdens that often only affect some consumers) <sup>(14)</sup>, Member States must ensure that the most vulnerable are not left without support. Direct financial support and social policies should be in place to mitigate the negative effects of price increases on the most vulnerable groups.

4.4. Direct assistance to those in need must be targeted and not across the board. It must reflect the social dimension and not hinder the green transition. A time-limited grant (e.g., for the first 300 kWh of electricity per person and household) up to an income limit to be defined could be considered. Direct assistance should also be granted below a revenue ceiling to be defined, provided that no affordable alternative solution is available in the respective situation <sup>(15)</sup>.

4.5. In addition, Member States should increase incentives for consumers to lower their energy consumption and to renovate smartly and sustainably at national, regional and local levels to ensure energy efficiency and to reduce their energy bills. Such measures should be promoted by the Commission. These measures should be seen as additional in the sense that they cannot replace financial and social support that must act as an immediate safety net when consumers are momentarily and gravely affected by price volatility.

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<sup>(11)</sup> [https://energy-poverty.ec.europa.eu/energy-poverty-observatory/indicators\\_en](https://energy-poverty.ec.europa.eu/energy-poverty-observatory/indicators_en)

<sup>(12)</sup> For example, the suggested definition of energy poverty during the negotiations in the European Parliament on the proposal for a Social Climate Fund was 'households in the lowest income deciles whose energy costs exceed twice the median ratio between energy costs and disposable income after deduction of housing costs'.

<sup>(13)</sup> Giovanni Sgaravatti, Simone Tagliapietra and Georg Zachmann. National fiscal policy responses to the energy crisis. Bruegel 8 February 2022.

<sup>(14)</sup> EESC opinion on energy prices (OJ C 275, 18.7.2022, p. 80).

<sup>(15)</sup> EESC opinion on energy prices (OJ C 275, 18.7.2022, p. 80).



4.6. Other beneficial measures could include providing energy education, advice and consultation, which must be widely available and affordable at local level (for example through one-stop shops) and supported by subsidies. Measures such as Building Renovation Passports<sup>(16)</sup>, Energy Passports and smart meters also have the potential to support consumers in the process, including building owners and renters. The energy advice must be tailored to the needs of consumers, as the response is highly individual. Consumer organisations and local and regional authorities in particular should be involved in the process of developing measures and informing consumers.

4.7. As energy poverty is also rooted in general poverty, it is essential that the Commission and the Member States continue to work on reducing poverty overall, paying attention to the population already facing energy poverty and those at risk of falling into poverty because of their incapacity to pay higher energy prices. This crisis reminds us of the constant need to improve access to employment, social inclusion and decent standards of living, with particular attention to people living in rural and remote areas, and to support the economic growth of Member States more generally. A changed view is needed for better infrastructures of general interest, essential services and transport. Employment and SMEs should be supported, especially in disadvantaged and rural areas.

4.8. Peer review processes in the Member States and best-practice sharing can lead to successful projects in both the social and energy sectors that can spread throughout the Union. These include projects in the field of energy efficiency, energy literacy and clean energy (to provide people with renewables), but also social measures which have the potential to reduce energy bills and poverty overall.

## 5. Tackling energy poverty by investing in fair and efficient energy

5.1. The EESC stresses the importance of investing in fair and efficient energy to alleviate energy poverty in the long term. Investing in the development of renewable clean energies and in the large-scale renovation of buildings in the Union is a necessity, given the structural long-term underinvestment in this area and the climate, environmental, economic and social consequences involved. It will also have additional positive impacts for the economy in terms of job creation and innovation, and will thus benefit EU citizens in the short, mid and long term.

5.2. The EESC welcomes the proposal to create an EU Social Climate Fund to tackle the social and distributional challenges from the green transition (which is crucial in combatting climate change), and to incentivise measures for alleviating the social consequences of emissions trading for the buildings and road transport sectors. However, the EESC notes that this fund alone may not be sufficient to meet all energy efficiency and transition demands, and could be reinforced through relevant interventions within the framework of national partnership agreements and recovery and resilience plans.

5.3. Energy poverty can be reduced by facilitating investments and directing financing to renewable energy. The Commission should work closely with the Member States to evaluate whether the budget available meets the needs and demands and the options available to further support Member States (e.g. the proposal supported by several members of the European Parliament<sup>(17)</sup> and the EESC for a new Climate Adjustment Fund that could be used to reinforce the EU's ability to support Member States in responding quickly to climate, environmental and energy emergencies). It should take into account economic recovery and the need to protect the sustainable development of public finances in the Member States and the EU.

5.4. The new Multiannual Financial Framework and the NextGenerationEU recovery instrument should also continue to be used to tackle energy poverty in the post-COVID-19 period. The EESC notes that the invasion of Ukraine by Russia has even accelerated the need for the EU to ensure a rapid clean energy transition to become independent from imported fossil fuels, to increase the resilience of the energy system and to ensure access to fair and efficient energy for all EU citizens, while accomplishing the Union's climate targets. The EESC points out that the war in Ukraine and the current geopolitical context should not lead to the EU neglecting its mission of accomplishing social and environmental goals, which are the basis for building economic strength in the long run.

<sup>(16)</sup> <https://www.bpie.eu/publication/renovation-passports/>

<sup>(17)</sup> Regional development MEPs suggest to set-up a Climate Change Adaptation Fund | News | European Parliament (europa.eu).

5.5. The EU and the Member States must ensure that available funds support large-scale investments in renewable energy and energy efficiency, building renovations, housing insulation subsidies, and in affordable, energy-efficient social housing, as well as community housing projects. It is clear that a large amount of private investment is needed. This requires an encouraging regulatory and investment environment. Member States, working with local and regional authorities should prioritise a deep renovation that would lead to over 60 % in energy savings<sup>(18)</sup>, and support the development of skilled labour.

5.6. The Cohesion Fund and the Just Transition Mechanism could provide resources for regions and communities that are most affected by the clean energy transition. The European Commission should also continue funding energy poverty projects under Horizon Europe and the LIFE Clean Energy Transition sub-programme. For example, research funding from Horizon Europe could be used to develop affordable devices and technology that can be used to reduce household energy consumption. The Commission and the Member States should, through EU funds, encourage enterprises and private companies to develop innovations and the right technologies for energy efficiency.

5.7. The EESC also calls on the Commission and the Member States to ensure that the Renovation Wave strategy is implemented in a way that supports the lowest-income groups, by making sure that vulnerable people have money to invest in energy efficiency, prioritising the worst performing buildings and in doing so addressing housing exclusion. A substantial increase in EU funding, especially for actors on the ground, should be provided for building renovations and decentralised production of renewable energy. The priority recipients should be vulnerable households already in poverty or at risk of energy poverty. To this end, sufficient funds need to be provided under the Social Climate Fund in order to compensate the extension of the Emission Trading Scheme. In addition, Member States should step up investment in renewable energy and in energy efficiency. For example, with close-to-zero variable costs, renewable energy such as wind and solar, could translate into lower wholesale market prices<sup>(19)</sup>.

5.8. Reskilling and upskilling will play an important role in the green transition, Renovation Wave and energy efficiency. In order to build up concrete strategies for monitoring and anticipating the needs for skilling, upskilling and reskilling workers in affected sectors, the EESC points to the outcomes of social partner projects in this field<sup>(20)</sup>.

5.9. The private sector also has a key role to play in promoting necessary entrepreneurship and investment, including in order to foster the development of green skills to accelerate the green transition and reduce energy poverty. There should be significant increases in public-private partnerships and funding for research and development, and a greater provision of technical assistance to SMEs, in order to meet environmental standards such as energy audits. Good practices should also be shared between Member States to encourage their propagation.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(18)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019H0786&from=EN>

<sup>(19)</sup> It is estimated that the increase in renewable electricity was responsible, *ceteris paribus*, for a 24 % decrease in spot electricity prices in Germany over 2008-2015, and of 35 % in Sweden over 2010- 2015 (Hirth, 2018).

<sup>(20)</sup> EESC opinion on energy prices (OJ C 275, 18.7.2022, p. 80).

**Opinion of the European Economic and Social Committee on Social dialogue within the green transition****(Exploratory opinion requested by the Czech Presidency)**

(2022/C 486/14)

Rapporteur: **Lucie STUDNIČNÁ**

Referral	Czech Presidency of the Council, 26.1.2022
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
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Adopted in section	5.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	162/1/7

**1. Conclusions and recommendations**

1.1. Addressing the climate emergency has become a number one policy priority. The economic model that had been established since the industrial revolution is up for a fundamental overhaul. The colossal transformation to a digitalised climate-neutral circular economy, requires considerable adjustment efforts. Russia's aggression on Ukraine only reinforced the necessity of this transition, at the same time putting huge costs and burdens on society.

1.2. As an integral part of the European Social Model, and as a source of European competitiveness, social dialogue needs to be meaningful at all levels — European, national, sectoral, regional and workplace level. Member States should recognise the value of social dialogue, the fact that it represents an added value and an important part of the decision-making process. The EESC stresses that social dialogue should be strengthened and actively promoted. This also means that adequate competences for social partners are necessary and they also need to have access to expert support.

1.3. Therefore, strong involvement of trade unions and employers' federations through robust social dialogue and the involvement of civil society needs to be an integral part of the entire climate action policy framework. Member States have to make a greater effort in terms of involvement and guaranteeing the support from the workers to move towards a sustainable society. And this does not just concern the MS, but also the EU institutions.

1.4. Trade unions play a key role in preparing and representing workers in the process of social-ecological transformation, so an active and coherent social dialogue must be guaranteed to ensure that climate action delivers for workers, makes the transition just and genuinely leaves no one behind.

1.5. Social dialogue must be accompanied by continuous and robust civil dialogue, especially with organised civil society and stakeholder engagement. For a just transition to a net-zero economy, it is important to build fairer societies, eradicating poverty and tackling adjustment problems inherent in the green transition. Civil society organisations represent millions of people in vulnerable situations and those who are systematically excluded, and therefore constitute an important voice that must be included in decisions around the transition. Close cooperation with the Committee of Regions on this issue would add the regional dimension.

1.6. The prioritisation of social justice and implementation of the European Pillar of Social Rights must be of utmost importance. Furthermore, the EU must also promote and actively support collective bargaining so that workers can shape sustainable workplaces as well as green, competitive, and decent jobs. In this way, EU is not only becoming fairer and more equal, but also more competitive and resilient.

1.7. It is critical that all jobs created through the transition respect the ILO Declaration on fundamental principles and rights at work, which includes the right to decent employment, freedom of association and collective bargaining, no discrimination, no forced and child labour, and no violence and harassment at work.

1.8. The EESC proposes a systematic mapping of the functioning of social dialogue at Member State level, and further comparative studies are necessary to explore the role of social dialogue in National Energy and Climate Plans, such as in NRRPs.

1.9. As part of the overall effort to strengthen the social dimension of the European Green Deal, social dialogue structures need to be actively supported and strengthened by incentives and funding, paying special attention to Member States and sectors where these institutions are weak.

1.10. In line with the non-binding Council Recommendation on ensuring a fair transition towards climate neutrality, the EESC stresses that guidance to Member States should be provided on how to tackle the social and employment effects of the transition. Proposals, including the one raised by the EESC opinion on '*Fit for 55: delivering the EU's 2030 Climate Target on the way to climate neutrality*'<sup>(1)</sup> to encourage member states to create 'Just Transition Commissions', should be considered.

1.11. The EESC stresses the importance of timely information and consultation during the restructuring process. In line with the Directive on Consultation and Participations rights, workers' information, consultation and participation rights<sup>(2)</sup> need to be strengthened at all levels of EU, national and local administration. Decisions taken without consultation should be avoided and providing information in advance should become mandatory.

## 2. General comments

### Background

2.1. This exploratory opinion was requested by the Czech EU Presidency as part of the assessment of the social dimension of the European Green Deal, and in particular the role of social dialogue.

2.2. Addressing the climate emergency has become a number one policy priority. The entire production and consumption system is up for a fundamental overhaul. While the benefits of this transformation towards a digitalised climate-neutral circular economy are unquestionable, it entails considerable adjustment efforts and huge costs for society.

2.3. This fundamental restructuring process that our economies need to go through in a few decades to reach net-zero emissions, is a policy-driven process that will have disparate effects on people with different socio-economic characteristics, as well as companies, especially SMEs. Policymakers have significant responsibility to address these.

2.4. Climate change certainly creates new inequalities, and mitigation and adaptation measures, if applied without just transition policies, might create winners and losers. Recognising this, the announcement of the European Green Deal in 2019 included pledges to 'leave no-one behind'.

2.5. This ongoing transition process has been further aggravated by two extraordinary events: the COVID-19 crisis and a fundamental change in Europe's geopolitical situation due to Russia's assault on Ukraine. Both have increased burdens on society in the short term, while at the same time might also contribute to speeding up the transformation.

### Social dialogue

2.6. Over the last few decades, big changes in the means of production were often raising adaptation or transition issues, especially where these changes have generated less safe and low paid jobs leaving many people such as women and vulnerable communities locked out of decent work. Therefore, we must address a number of transitional problems, issues

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<sup>(1)</sup> OJ C 275, 18.7.2022, p. 101.

<sup>(2)</sup> OJ L 80, 23.3.2002, p. 29.

such as contractualisation, precarious forms of work, privatisation and restructuring, in order to generate a just economy, where poverty is eradicated. This problem is also addressed in the Council Recommendation on Ensuring a Fair Transition towards Climate Neutrality, adopted at the Social Affairs Council 16 June 2022.

2.7. The promotion of social dialogue is enshrined in the Treaty on the Functioning of the EU. The 'New Start for Social Dialogue' initiative (2016) recognised the importance of social dialogue for recovery and competitiveness. Several EESC opinions <sup>(3)</sup> and a resolution <sup>(4)</sup> have recently emphasised the importance of social dialogue in related transformations.

2.8. Social dialogue has also proven its positive contribution to a successful restructuring process; companies with well-functioning social dialogue perform better, are more competitive and resilient, and pay higher wages.

2.9. The EESC stresses that all levels of social dialogue at European, national, sectoral, regional and workplace level have crucial but distinct functions in managing and facilitating the green transformation. However, structures and institutions at these levels have very different strengths.

2.10. Social dialogue must be accompanied by continuous and robust civil dialogue, especially with organised civil society and stakeholder engagement. For a just transition to a net-zero economy, it is important to build fairer societies, eradicating poverty and tackling adjustment problems inherent in the green transition. Civil society organisations represent millions of people in vulnerable situations and those who are systematically excluded, and therefore constitute an important voice that must be included in decisions around the transition. Close cooperation with the Committee of Regions on this issue would add the regional dimension.

2.11. Social dialogue institutions and actors have different levels of capacity and influence across Member States, partly due to diverse social and industrial relations models in Member States, but in some cases decentralisation policies and recommendations in the wake of the financial crisis and the Eurozone crisis have actively contributed to their weakening. The EESC underlines that well-functioning social dialogue is an important feature of the European social market economy and welcomes the fact that this has been recognised by the European Commission, most recently in its Recommendations to the Council.

2.12. As part of the overall effort to strengthen the social dimension of the European Green Deal, social dialogue structures need to be actively supported and strengthened, paying special attention to Member States and sectors where these institutions are weak.

### **Just transition**

2.13. A just transition means that addressing both the employment and distributional effects of a shift to a net-zero economy should be seen as an integral part of the climate policy framework (e.g. the Fit for 55 package) and not only as supplementary corrective measures. These issues span many dimensions such as the distributional effects of decarbonisation policies, jobs losses and employment transitions, the protection of basic social rights and the inclusion of citizens and organised civil society in decision-making.

2.14. The Just Transition Fund and the proposed Social Climate Fund (SCF) as part of the Fit for 55 package are some of the main EU measures announced to date intended to mitigate the impact of the transition on the most affected regions, vulnerable individuals and businesses. The EESC welcomes that the Commission has also proposed a Council recommendation on ensuring a fair transition towards climate neutrality, to provide guidance to Member States on how to tackle the social and employment effects of the transition.

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<sup>(3)</sup> EESC opinion: Industrial transition towards a green and digital European economy: regulatory requirements and the role of social partners and civil society (OJ C 56, 16.2.2021, p. 10); EESC opinion: No Green Deal without a Social Deal (OJ C 341, 24.8.2021, p. 23). EESC opinion: Social dialogue as an important pillar of economic sustainability and the resilience of economies (OJ C 10, 11.1.2021, p. 14).

<sup>(4)</sup> Resolution on EESC proposals for post-COVID-19 crisis reconstruction and recovery: 'The EU must be guided by the principle of being considered a community of common destiny', based on the work of the Subcommittee on post-COVID-19 recovery and reconstruction (OJ C 311, 18.9.2020, p. 1).

2.15. The litmus test of a 'Just Transition' must be the efficiency in dealing with the adaptation problems of business, employees and citizens, encouraging for instance restructuring of business activities, upskilling and reskilling of employees and avoidance of energy and mobility poverty, with a view to ensuring that no one is left behind; particularly the degree to which the individual women and men whose jobs will disappear or be downgraded or otherwise threatened are engaged with, assured of a useful, fulfilling and secure future in good quality employment, and assisted in developing themselves to enable them to fill these roles.

2.16. The scale of the challenge cannot be underestimated. It will entail the development of well thought-out integrated medium- and long-term economic and social objectives with a view toward ensuring productivity and inclusion with due regard to specificities of different member states and involving social partners at national, regional and local level in all stages of policy making, including through social dialogue and collective bargaining, where adequate. These entail the deliberate, conscious redirection of resources at national and central level towards the areas and regions affected. Apart from incentivising new investment with grants, loans and the provision of expertise, and helping the operation of MSMEs, start-ups can be helped through capital participation, while new public enterprises could also be created. Besides the commitment of public resources, it will be necessary to optimise the flexibility of state aid rules and even to suspend them in some circumstances.

2.17. It is critical that this large-scale restructuring, which includes the transformation of tens of millions of jobs in Europe, happens in a balanced and managed way and is forward-looking; a well-functioning social dialogue is key for this. The Just Transition Fund to support workers in transitions to new jobs should be expanded both in terms of its resources and its scope, with measures targeted to specific sectors.

2.18. The three dimensions of sustainable development — economic, social and environmental — are strongly interrelated and need to be addressed by the use of a comprehensive and coherent policy framework. The 2015 ILO Guidelines for a just transition provide a set of practical tools for governments and social partners in managing this transformation process.

2.19. The 2015 ILO Guidelines state that 'strong social consensus on the goal and pathways to sustainability is fundamental'. Social dialogue has to be an integral part of the institutional framework for policymaking and implementation at all levels. Adequate, informed and ongoing consultation should take place with all relevant stakeholders.

### **Social dialogue within the green transition**

2.20. Social dialogue should not be reduced to a formality, it needs to be meaningful at all levels — European, national, sectoral, regional and workplace level. This also means that adequate competences for social partners are necessary and they also need to have access to expert support.

2.21. The EESC recognises that social dialogue institutions have a very uneven character across the EU, due to the diverse national and industrial-relations models and traditions in different Member States.

2.22. The EESC proposes a systematic mapping and monitoring of the functioning of social dialogue at Member State level<sup>(5)</sup>, and further comparative studies are necessary to follow the role of social dialogue in National Energy and Climate Plans, such as in NRRPs.

2.23. The EESC believes that existing initiatives to address the social challenges of the green transformation have remained fragmented. The Just Transition Mechanism is limited and addresses a small part of the transition process. The proposed Social Climate Fund will have a limited scope and purpose, and above all balance the regressive distributional effects of a planned ETS2 for transport and buildings (see in particular the EESC opinion on the *Social Climate Fund*<sup>(6)</sup>). While the EESC welcomes the Council Recommendation on ensuring a fair transition towards climate neutrality, it also notes that this non-binding recommendation does not offer the comprehensive policy platform that the EU needs to deal with the impacts of the transition on affected workers, regions and vulnerable individuals.

<sup>(5)</sup> EESC resolution (OJ C 155, 30.4.2021, p. 1); EESC opinion (OJ C 220, 9.6.2021, p. 38).

<sup>(6)</sup> OJ C 152, 6.4.2022, p. 158.



2.24. The EESC stresses that the EU needs to have a strong framework to secure a level playing field for managing the transition. Such a robust EU just transition framework should, among other things, address the anticipation and management of change in the green transformation, via meaningful participation of workers, companies and citizens' involvement.

2.25. The EESC stresses the importance of timely information and consultation during the restructuring process. Decisions taken without consultation should be avoided and providing information in advance should become mandatory.

2.26. The EESC calls for promoting social dialogue and stakeholder involvement at all levels, and ensuring that new green jobs are good jobs in line with the ILO Decent Work agenda and the European Pillar of Social Rights. In line with the spirit of the Council recommendation on ensuring a fair transition towards climate neutrality, referring also to the EESC opinion related to the SCF, a Social Climate Fund should deal with a broader range of the distributional effects of climate policies with targeted measures against energy and transport poverty, supporting and facilitating the affordability and accessibility of low carbon technologies for lower income households.

### 3. Specific comments

3.1. The EESC believes that it is essential to recognise the complementarity between climate, environmental and social policies. The social dimension should be an integral part of a comprehensive climate policy framework from its design to implementation. This includes the entire European Green Deal and all the concrete implementation policies under the Fit for 55 packages.

3.2. The EESC also recognises that this restructuring process will have massive effects on jobs, labour relations and income distribution. All levels of society and the economy will be affected, from transnational to workplace level, and social dialogue should play a key role in managing this process in a forward-looking manner.

3.3. The EESC welcomes the strong and ambitious climate policy framework the European Commission has set up within the European Green Deal, supported by the related legislative measures, but it also stresses that, in spite of all the positive declarations, its social dimension is still underdeveloped.

3.4. The social dimension of the European Green Deal remains primarily in the hands of the EU Member States and national social partners as they are best-placed to understand the situation and propose measures at local, regional and national level. However, the social and employment-related challenges of the green transition span many dimensions, such as job losses and employment transitions, the reskilling and upskilling of the workforce, distributional effects of decarbonisation policies, and also the protection of social rights and citizen participation. Therefore, coordinated action and measures at EU level are necessary to accompany and support the national initiative. If not well addressed at an appropriate level, climate mitigation measures are likely to increase and exacerbate social inequalities.

#### **Making the just transition a reality — governance/regulatory requirements for strengthening social dialogue**

3.5. Labour market transitions, social plans and pathways to sustainable and decent new jobs with a long-term commitment to regional and community development are all essential elements of a just transition roadmap.

3.6. Training programmes tailored to individual and labour market needs and delivered by special purpose employment transition centres should be encouraged. This needs engagement in proactive social dialogue at community and regional levels, in cooperation with all stakeholders. Trade unions and employers should act in conjunction to support labour transition programmes.

3.7. Unlike the far-reaching and coordinated set of hard-law environmental measures, the social elements of Fit for 55 are fragmented, and the proposed Council Recommendation does not have binding legal effect.



3.8. These features need to be strengthened and social dialogue should become a mandatory element of key national policies set up in order to reach 2050 climate policy targets, including NECPs, NRRPs and just transition plans.

3.9. For social dialogue to bring results mutual confidence, trust and a shared ambition to get results that bring added value to all parties involved are important.

3.10. In some EU Member States this kind of social dialogue already exists, in others not. Where the latter is the case, social dialogue should be actively encouraged, for instance by imposing timely exchange of certain information and offering social dialogue as a means to resolve various administrative and labour law issues, facilitating access to funding, facilitating planning decisions, building permits etcetera. To prevent abuse, such benefits should be linked to an obligation to achieve results.

3.11. The EESC is aware that in some Member States this will be a matter of a change of culture and that it may take some time to bring about. The EESC is however convinced that the time and effort invested will be highly worthwhile.

3.12. The social dimension of the European Green Deal needs to be linked to the European Pillar of Social Rights, and reflected in the European Semester process.

3.13. The Commission published a report <sup>(7)</sup> on strengthening social dialogue in February 2021, which fed into the action plan implementing the European Pillar of Social Rights, presented in March 2021. The action plan contains a commitment on the part of the Commission to present an initiative on supporting social dialogue at EU and national level in 2022. The EESC strongly believes that these upcoming recommendations by the Commission will make a strong contribution towards achieving this objective.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(7)</sup> Report on strengthening EU social dialogue, by author Andrea Nahles.

## ANNEX

The following amendment, which received at least a quarter of the votes cast, was rejected during the discussion:

**Point 2.25****Amend as follows:**

Section opinion	Amendment
The EESC stresses the importance of timely information and consultation during the restructuring process. Decisions taken without consultation should be avoided and providing information in advance should become <b>mandatory</b> .	The EESC stresses the importance of timely information and consultation during the restructuring process. Decisions taken without consultation should be avoided and providing information in advance should become <b>current practice in accordance with the abovementioned Council Recommendation</b> .

Outcome of vote

(for/against/abstentions) 55/95/0

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**Opinion of the European Economic and Social Committee on the Role of nuclear energy in the stability of EU energy prices**

**(exploratory opinion requested by the Czech Presidency of the Council of the EU)**

(2022/C 486/15)

Rapporteur: **Alena MASTANTUONO**

Referral	The Czech Presidency of the Council of the EU, letter of 26.1.2022
Legal basis	Article 304 of the Treaty on the Functioning of the European Union Exploratory opinion
Plenary Assembly decision	21.9.2022
Section responsible	Transport, Energy, Infrastructure and Information Society
Adopted in section	7.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	143/73/42 (recorded vote — see Annex II)

## 1. Conclusions and recommendations

1.1 The stability and affordability of energy prices is essential to preserve both the purchasing power of households and the competitiveness and resilience of the European industrial fabric. After a decade of relative price stability for energy import prices and the relatively low annual increase of domestic producer prices for energy of 0,9 % between 2010 and 2019, Europe has been witnessing a sharp increase in energy prices since second half of 2021. Volatility in energy prices and uncertainty of energy supplies escalated with the war in Ukraine.

1.2 The challenge that Europe is facing today is twofold: the need to combat climate change and the need to ensure a stable energy supply at an affordable price. As the Commission writes in its REPowerEU plan, the challenge is to rapidly reduce our dependence on Russian fossil fuels by fast forwarding the clean transition and joining forces to achieve a more resilient energy system and a true Energy union. The solution has three time dimensions. The essence of the short-term perspective is primarily to resolve the situation with the supply of energy, as a possible shortage may exacerbate price increases. The current market situation is influenced by current and expected supply-side factors. It is therefore necessary to use all available energy sources in the EU as outlined in the REPowerEU plan. This is a crisis scenario, the purpose of which is primarily to secure the supply of energy. The medium-term perspective allows for greater respect for the sustainability and balance of energy sources, and the long-term perspective, provided that geopolitical security risks are reduced, will entail focusing on green goals.

1.3 The additional costs of safety and security caused by the war threaten to contribute substantially to the increase in energy prices. In the short term, existing nuclear power plants in EU Member States which opted to include nuclear power in their energy mix and where it is technically feasible will contribute to the stability of energy supply, which to a great extent influences price stability. Without the existing nuclear capacity, the shock to the energy system caused by Russia's invasion of Ukraine would certainly be even bigger.

1.4 Nuclear power as a source of low-emission electricity is available on demand to complement the leading role of renewables such as wind and solar in the transition to electricity systems with net zero emissions. The EESC points out that nuclear as a stable baseload can at this time contribute to stable supply. The marginal costs of nuclear energy are stable and much lower than those of gas and coal plants. Nuclear power plants do not emit a significant amount of CO<sub>2</sub> when in operation and so their marginal costs, like those of renewables, do not include any CO<sub>2</sub> costs and are not affected by volatile carbon pricing as we could see in 2021 when the carbon price rose more than 200 %. The volatility in the EU ETS scheme significantly affects the price of gas and coal on the EU market.

1.5 From a regulatory point of view, the electricity prices on the EU wholesale market are determined by merit order in which the last power plant sets the price. In most cases of standard market behaviour, the price on a spot market is determined by gas or coal. This means that nuclear power does not influence energy prices on the spot market, except for when the energy mix includes a high share of low-emission sources. However, the spot market is only part of market sales. Energy companies often sell physical supplies of electricity on the basis of bilateral contracts. In this case, different financing models and bilateral contracts used in EU Member States with nuclear in their energy mix help to stabilise the energy price for the customer.

1.6 The current energy crisis affected the functioning of the EU electricity market by distorting its basic rules due to the number of interventions to mitigate high energy prices or significantly decrease demand. This situation points to the important correlation between decreased supply and increased demand pushing up energy prices. With a more robust supply from stable low-carbon energy sources, energy prices will be less volatile and thanks to the interconnection of national energy markets the benefit can be shared across the EU.

1.7 The EESC considers that extending the life of the existing fleet of nuclear power plants makes sense in this particular situation and will, at the same time, contribute to the transition to a carbon-neutral economy. It has the potential to meet current expectations regarding energy supply and to reduce gas consumption in the electricity sector, thereby reducing the risk of gas shortages. It can also help to alleviate the unprecedented price volatility caused by non-economic factors, and meet current expectations regarding energy supply. The EESC recommends that the Member States work on solutions for storage capacity and reinforce transmission interconnections in order to respond effectively to outages in renewables in the longer term and in gas in the short term.

1.8 The EESC proposes that the Czech Presidency, within the European Nuclear Energy Forum (ENEF), discuss price stability in the nuclear sector and the role of nuclear power in stabilising supply as a response to reduced EU dependence on Russian gas. The EESC would like to be closely involved in this discussion.

1.9 The EESC suggests reinforcing bilateral cooperation with international partners in the nuclear sector in order to share the findings in terms of innovation and advances in new technologies. The EESC recommends that the Czech Presidency of the Council of the EU organise a conference on small modular reactors which could take the form of the EU-US high-level forum on small modular reactors and explore this promising research.

## 2. Background and explanatory notes

2.1 Article 194 of the Treaty on the Functioning of the European Union lays down the legal basis for energy policy in the EU. Specific provisions are laid down in other articles such Article 122 of the TFEU (security of supply), Articles 170-172 of the TFEU (energy networks), Article 114 of the TFEU (Internal energy market) and Articles 216-218 of the TFEU (external energy policy). The Treaty establishing the European Atomic Energy Community (Euratom Treaty) serves as the legal basis for most EU actions in the field of nuclear energy.

2.2 The Treaty on the Functioning of the European Union also guarantees to Member States their right to determine the conditions for exploiting their energy resources, their choice between different energy sources and the general structure of their energy supply<sup>(1)</sup>.

2.3 The EU's plan to become the first climate-neutral continent in 2050 requires an energy transition towards zero and low-emission energy sources. The increasing part of renewables in the energy mix cannot happen without a backup made up of currently stable energy sources at our disposal such as fossil and nuclear energy; in addition, we need to invest in non-fossil gas-fired plants to cope with fluctuations in renewable energy. There is also a great need for storage capacity in order to avoid blackouts and satisfy growing energy consumption driven by electrification. Among the current stable energy sources, nuclear energy is the only source with low emissions which could reduce dependence on Russian gas.

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<sup>(1)</sup> TFEU Article 194(2).

2.4 Nuclear energy, with its 413 gigawatts (GW) of capacity operating in 32 countries, contributes to decarbonisation and reduces reliance on imported fossil fuels by avoiding 1,5 gigatonnes (Gt) of global emissions and 180 billion cubic metres (bcm) of global gas demand a year <sup>(2)</sup>. Nuclear power, as a source of low-emission electricity, is available on demand to complement the leading role of volatile renewables such as wind and solar in the transition to electricity systems with net zero emissions. According to the International Energy Agency, less nuclear power would make net zero ambitions harder and more expensive and global nuclear generating capacity is expected to double by 2050.

2.5 The Commission Delegated Regulation (EU) 2022/1214 <sup>(3)</sup> recognises the potential of nuclear energy to contribute to the decarbonisation of the Union's economy and considers nuclear energy a low-carbon activity. The Final Report of the Technical Expert Group on Sustainable Finance from March 2020 <sup>(4)</sup> stated that 'nuclear energy generation has near to zero green-house gas emissions in the energy generation phase' and 'evidence on the potential substantial contribution of nuclear energy to climate change mitigation objectives was extensive and clear'. The taxonomy provides for additional and stricter requirements on waste disposal, funding and decommission planning.

2.6 The stability and affordability of energy prices is essential to preserve both the purchasing power of households and the competitiveness and resilience of the European industrial fabric. After relative price stability for energy import prices in the last decade (except the drop in 2020 by 31 %), and the relatively low annual increase of domestic producer prices for energy of 0,9 % between 2010 and 2019 (in 2020, energy producer prices fell by almost 10 %), Europe has been witnessing a sharp increase in energy prices since autumn 2021 <sup>(5)</sup>.

2.7 For the first time in its history, the European Union is confronted by several serious risks linked to energy supply, energy security and skyrocketing energy prices. One of the reasons is that some Member States were not careful, or have succumbed to external pressure, and reduced all backup resources too quickly, while foreign interference certainly played a role in this regard.

2.8 Hectic and volatile energy price developments were already evident before the war, from autumn 2021, caused by several disruptions in supplies as well as the global increase in the demand for gas. The reason for the unusually high energy prices since last autumn is the sharp global increase in the demand for gas, due to a number of key factors: upward economic recovery, tightened supplies to the EU, a lack of investment, and bad weather conditions which have resulted in reduced production of energy from renewables. In some cases, speculation has led to the emptying of gas storage facilities <sup>(6)</sup>. The current volatility in energy prices is mainly determined by the impacts of the Russian aggression against Ukraine, the uncertainty about a possible escalation in other countries and the effort to cut the EU's energy dependence on Russia as quickly as possible.

2.9 The additional costs for safety and security caused by the war threaten to substantially contribute to the increase in energy prices. The next period of diversification of EU energy input, connected with massive investments into new infrastructure (e.g. LNG terminals, hydrogen pipelines) and realignments of the existing energy delivery network, could be accompanied by an additional jump in prices. The situation is also exacerbated by a significant decline in nuclear generation, expected to decrease by 12 % (more than 100 TWh) in 2022. According to the IEA electricity market report of July 2022, this decline is due to temporary decreased plant availability in France, the retirement of 4 GW of nuclear power in Germany and the impact of the Russian invasion on Ukraine's nuclear plants.

2.10 Under the current circumstances, at least until the fundamental EU energy shift makes progress, the use of already existing energy sources available in the entire territory of the EU and utilisable immediately without impediments and within the already installed infrastructure is the highest priority. At the same time, cutting supplies of energy commodities

<sup>(2)</sup> <https://iea.blob.core.windows.net/assets/0498c8b8-e17f-4346-9bde-dad2ad4458c4/NuclearPowerandSecureEnergyTransitions.pdf>

<sup>(3)</sup> Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L 188, 15.7.2022, p. 1).

<sup>(4)</sup> The TEG report available at: TEG final report on the EU taxonomy | European Commission (europa.eu).

<sup>(5)</sup> Eurostat data from February 2022 <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20220210-2>

<sup>(6)</sup> For more details, please see the opinion TEN/761 (OJ C 275, 18.7.2022, p. 80).

from Russia is well underway, including the risk of limiting the supply of fuel rods for nuclear power plants, and ensuring a stable energy supply to all Europeans is leading to a challenge in terms of complying with climate targets.

2.11 To a certain extent, nuclear power enables the adaptation of electricity generation, depending on how much power is produced from renewables. Nuclear power stations are less flexible than gas, but they bring an element of stability into the system as they contribute significantly to the energy base load, and current regulation in some EU Member States allows flexible regimes for nuclear power plant operations.

2.12 The already installed nuclear sources are able to immediately satisfy the higher demand for electricity and are characterised by low operating costs. It is true that the comprehensive levelised energy costs in the case of nuclear sources are rather high, especially due to the huge investment costs which reflect high security measures; however, in the case of gas, the levelised energy costs are even higher <sup>(7)</sup>. At the same time, given the war in Ukraine, we have no certainty that we will continue to be supplied with Russian gas or fuel rods until alternative supplies are found.

2.13 Nuclear is the dispatchable low-carbon technology with the lowest expected costs for 2025. Only large hydro reservoirs can provide a similar contribution at comparable costs but remain highly dependent on the natural features of individual countries. Compared to fossil fuel-based generation, nuclear plants are expected to be more affordable than coal-fired plants. While gas-based combined-cycle gas turbines (CCGTs) are competitive in some regions, their levelised cost of energy (LCOE) depend strongly on the prices for natural gas and carbon emissions in individual regions. Electricity produced from nuclear long-term operation (LTO) by lifetime extension is highly competitive and remains not only the lowest cost option for low-carbon generation — when compared to building new power plants — but for all power generation across the board <sup>(8)</sup>.

2.14 Similarly to renewable sources, the operating costs of nuclear energy are low. The variable costs are virtually independent of the global energy commodity market. For this reason, nuclear power plants bid on the electricity market at a stable price. Price of fuels and carbon pricing generally have the greatest impact on costs of electricity production. These variable costs or marginal costs vary greatly from one technology to another. The marginal cost of nuclear power plants depends on the price of nuclear fuel, which is much lower than that of gas or coal. Nuclear production being substantial, the price of fuel can be spread over a large production volume, a large quantity of MWh. Since nuclear power plants do not emit CO<sub>2</sub>, their marginal costs do not include any costs related to CO<sub>2</sub> allowance prices, like renewables.

2.15 From a regulatory point of view, the electricity prices on the EU wholesale market are determined by order of merit, in which the last power plant sets the price. In most cases of the standard behaviour scenario, the price on a spot market is determined by gas or coal. This means that nuclear power does not influence energy prices on the spot market, except for when the energy mix includes a high share of low-emission sources, set to be the future European model. At present, the standard market model has been destroyed by the supply-side shock, especially as regards gas, which has to be accompanied by the other disposable sources to contribute to market equilibrium and price stability, along with regulatory interventions such as demand reduction across the Union <sup>(9)</sup>.

2.16 The spot market is only part of market sales. Energy companies often sell physical supplies of electricity on the basis of bilateral contracts. In this case, different financing models and bilateral contracts used in the EU Member States with nuclear power in their energy mix help to stabilise the energy price for the customer, but not necessarily to lower it. We also have to distinguish between different layers of the electricity market (wholesale versus retail). The retail markets in the EU

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<sup>(7)</sup> IEA/NEA, 2020.

<sup>(8)</sup> <https://iea.blob.core.windows.net/assets/ae17da3d-e8a5-4163-a3ec-2e6fb0b5677d/Projected-Costs-of-Generating-Electricity-2020.pdf>

<sup>(9)</sup> Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas (OJ L 206, 8.8.2022, p. 1).

depend on many factors such as the level of competition, but also on factors that determine the final price. The electricity prices paid by household consumers in the EU include taxes and levies. According to Eurostat figures, the average share of levies and taxes paid by household consumers for electricity in the EU is 36 %.

### 3. General comments

3.1 The EESC is well aware of and respects the seriousness of the situation. Under the current circumstances, as a part of crisis and emergency management, reliable deliveries of energy at an acceptable price are the way to survive. For that reason, any disposable source which can be reliable should be used not only to accommodate demand, but also to contribute to price stability in this very uncertain period of time.

3.2 The EESC fully supports the European Green Deal and the shift of the European economy to climate neutrality by 2050. At the same time, the climate transition needs to go hand in hand with the five pillars of the Energy Union, namely with the pillars on security of supply and affordability of energy prices. Future policies should aim to decrease the high import dependency, as highlighted by the EESC in several opinions.

3.3 In the light of the main targets of the European Commission's REPowerEU Communication, there are two phases of the effort for energy price stability in the EU; the first until some first steps of decreased the EU's dependence on Russia with visible results are made, and the second when the EU energy dependence on Russia is zero. The EESC admits that for the first phase, where stability and safety will play a fundamental role, nuclear energy from existing EU sources also plays a role as highlighted in the REPowerEU plan <sup>(10)</sup>, bearing in mind that preparing the EU energy system for the next winter will not be easy (to create sufficient stocks and reserves of gas, to start the diversification of deliveries, to utilise more hydrogen and methane, to make massive additional investments into renewable and energy efficiency projects) as the International Energy Agency indicates in its recommendations of March 2022 <sup>(11)</sup>. For the second, a return back to the Green Deal mainstream could be possible when any risks linked to the security of supply are eliminated.

3.4 The EESC points out that the supply of fuel rods to nuclear power plants in the EU with VVER reactors operated on their territory (Bulgaria, Czech Republic, Hungary, Finland and Slovakia) might be at risk due to the war in Ukraine. At the same time, it is pleased to see that alternative supplies are possible <sup>(12)</sup> and encourages the relevant Member States to find alternative suppliers as soon as possible. Nuclear plants do not require large storage capacity and can easily stock fuel for 3 to 5 years, so it is possible to switch to another supplier or buy fuel at a favourable price.

3.5 The EESC highlights that the stability of the EU energy market is an absolute priority for today as it can eliminate volatility in energy prices. The nuclear energy as a very stable base load energy source (a backup to volatile renewables) can substantially contribute to stability of supply in periods of extraordinary risks.

3.6 The EESC points out that nuclear energy does not bare the risk of volatility in EU ETS prices, which reached an all-time high of EUR 100 per tonne of CO<sub>2</sub> in early February 2022. Since nuclear power plants do not emit CO<sub>2</sub>, their marginal costs do not include any CO<sub>2</sub> costs, like renewables. The volatility in the EU ETS scheme significantly affects the price of gas on the EU market.

3.7 Comprehensively, nuclear energy has high investment costs but relatively cheap operating costs. However, we are not starting from scratch, and existing (upgraded) nuclear capacities can be used to stabilise the market. The policies should allow Member States to prolong the operation of the existing fleet, as the long-term operation of nuclear power plants is by far the most affordable solution for 2030 and beyond which will allow a smooth transition to climate neutrality. It is necessary to avoid any measures that might negatively impact existing low-carbon capacity, or which would discourage investors from investing in the necessary technologies.

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<sup>(10)</sup> REPowerEU Plan COM(2022) 230 final.

<sup>(11)</sup> IEA 10-Point Plan to European Union for reducing reliance on Russian supplies by over a third while supporting European Green Deal, with emergency options to go further, March 2022.

<sup>(12)</sup> The Temelín nuclear power plant in the Czech Republic found alternative suppliers.



3.8 The EESC suggests factoring the role of nuclear energy into the future design of electricity market rules. Nuclear plants can offer electricity to end consumers at a fixed price, as several European countries use different models of contracts which ensure stability for consumers. A fixed purchase price ensures a return on investment and lower capital costs, and partially fixes the electricity price for end consumers.

3.9 Nuclear power accounted for around 25 % of the electricity produced in the EU in 2020. More solidarity and better transmission interconnections on the energy market will help to respond effectively to the volatility of renewables in the longer term and outages in gas in the short term. The EESC also calls for Member States to work on storage capacity and replace gas plants with energy from low-carbon sources. Any provisions in the revision of the electricity market design should incentivise investments in the low-carbon technologies needed to decarbonise the power sector in a safe and affordable manner.

3.10 The EESC highlights the other element of price stability for nuclear energy ensured by the stability of supplies. Compared to gas, nuclear power plants do not require large storage capacities and can easily stock its fuel for 3 years<sup>(13)</sup>. Longer refuelling and stocking capacity help with buying the fuel under more favourable conditions as well as switching to other suppliers. For this reason, it encourages the five Member States with VVER technologies to look for alternative suppliers.

3.11 When the EU's energy dependence on Russia decreases, it will be a good starting point not only to think, but also to implement and materialise the innovation potential regarding nuclear energy, namely the utilisation of nuclear sources for the production of hydrogen and waste recycling as a part of a circular economy chain. Using electricity from nuclear power to produce hydrogen and heat presents new opportunities according to the International Energy Agency. Surplus nuclear electricity could be used to produce an estimated 20 million tonnes of hydrogen in 2050 and co-generated heat from nuclear plants could replace district heating and other high-temperature uses<sup>(14)</sup>, though the construction costs would need to fall to make it competitive.

3.12 The EESC proposes that the Czech Presidency discuss, within the European Nuclear Energy Forum (ENEF), price stability in the nuclear sector and also the role of nuclear power in the stability of supplies as a response to the reduction of the EU's dependence on Russian gas. The EESC wishes to be closely involved in this discussion.

3.13 The EESC suggests reinforcing bilateral cooperation with international partners in the nuclear sector, mainly with the U.S., in order to share results in innovation and advances in new technologies. The EESC recommends that the Czech presidency of the Council of the EU organise a conference on small modular reactors which could take form of the EU-US high-level forum on small modular reactors and explore this promising research.

#### 4. Specific comments

4.1 The EESC is well aware of some risks connected with the utilisation of nuclear energy and supports the need for further research in order to make it even safer. It would be foolish to think that the risks do not exist. Nuclear power has been used to produce energy since the 1950s, and since then the level of security and safety have been reinforced, i.e. to withstand extreme external events, both natural and man-made, such as an aircraft crash or explosions. The EESC invites Member States not to stop research and innovation in this area and to comply with strict requirements on safety and waste disposal.

4.2 The current situation on energy market also affects uranium prices, which can be stabilised by better diversification of suppliers, or in the longer term by building power plants requiring less frequent refuelling. Power plants based on Small modular reactors (SMRs) may require less frequent refuelling, every 3 to 7 years in comparison to between 1 and 2 years for conventional plants. Some SMRs are even designed to operate for up to 30 years without refuelling. In addition, the construction of GEN III power plants meets the needs of countries with large energy requirements and developed grids (as shown by the programmes underway or planned in different countries).

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<sup>(13)</sup> According to the Euratom Supply Agency's 2020 annual report, 'uranium inventories can fuel EU utilities' nuclear power reactors for 2,75 years on average.

<sup>(14)</sup> <https://iea.blob.core.windows.net/assets/0498c8b8-e17f-4346-9bde-dad2ad4458c4/NuclearPowerandSecureEnergyTransitions.pdf>

4.3 Small modular reactors designs are generally simpler, and the safety concept for SMRs often relies more on passive systems and the inherent safety characteristics of the reactor, such as low power and operating pressure. SMRs offer savings in cost and construction time, and they can be deployed incrementally to match increasing energy demand.

4.4 The fuel needed for nuclear plants is rather of small volume compared to the needs of power plants running on fossil fuels. One small pellet of uranium dioxide weighing five grams produces the same amount of energy as a ton of coal or about 480 cubic meters of natural gas. Nuclear plants do not require large storage capacities and can easily stock fuel for 3 to 5 years. Stocking capacity can be considered as stability for the plant, as it decreases the dependence on a particular supplier and gives the possibility to buy fuel when there are favourable prices.

4.5 The investments made in this sector also means that any upgrade can be used for the benefit of the green transition. Nuclear technologies and methods are used to contribute towards the transition to an increasingly hydrogen-based energy system in two main areas: (i) hydrogen production from nuclear assisted thermal/chemical dissociation of water and (ii) contribution of nuclear methods and techniques to improve understanding and allow subsequent tailoring of materials to better meet the requirements for hydrogen storage and conversion <sup>(15)</sup>.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(15)</sup> IAEA-TECDOC-1676.

## ANNEX I

The following counter-opinion, which received at least a quarter of the votes cast, was rejected during the discussions (Rule 71(7) of the Rules of Procedure):

**AMENDMENT 7****TEN/776****Role of nuclear energy in the stability of EU energy prices**

**Replace the whole opinion presented by the TEN section with the following text** (explanation/reason at the end of the document):

**Tabled by:**

DIRX, Jan

HERNÁNDEZ BATALLER, Bernardo

IZVERNICEANU, Ileana

KATTNIG, Thomas

KUPŠYS, Kęstutis

LOHAN, Cillian

MOSTACCIO, Alessandro

NABAIS, João

NIKOLOPOULOU, Maria

RIBBE, Lutz

SCHMIDT, Peter

SCHWARTZ, Arnaud

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**Amendment**


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**1. Conclusion and recommendation**

1.1 The answer to the question of the Czech presidency is, in summary, in the current market design of the electricity market, nuclear energy cannot play a role in price stability. This is because the merit order applies in the current market design (see point 2.8). Only when the market design is adapted with substantial financial state aid, in addition to private financing, a situation of price stabilization by nuclear energy is possible.

1.2 The EESC advises the Czech presidency to open a structured dialogue at EU level with the aim of agreeing on a new market design for the electricity market that guarantees price stability.

**2. Introductory notes**

2.1 Prior to the Czech presidency of the Council of the EU (second half of 2022), this upcoming presidency asked the European Economic and Social Committee to prepare an exploratory opinion on the role of nuclear energy in the stability of EU energy prices.

2.2 The EESC is happy to comply with this request from the Czech presidency, as it offers the opportunity to provide a factual and unambiguous description of that role.

2.3 Achieving price stability is one of the preconditions for offering electricity customers, both businesses and consumers, certainty about their costs in the short and medium term. Stable power prices therefore play a crucial role for the performance of European businesses and the creation and maintenance of employment.

2.4 Price stability is also necessary for all companies, especially small and medium-sized companies, in order to be able to provide realistic quotations in a timely manner and to make realistic forecasts.

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**Amendment**

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2.5 In order to be able to provide the answer to the Czech presidency as factual and unambiguous as possible, in this exploratory opinion we will not discuss other aspects that are also interesting, but which are not important within the phrasing of the question for this exploratory opinion. That means, first, that we do not interfere with the right of each Member State to make its own choices about how electricity is generated in its own country. And second, that we do **NOT** comment on the actual and possible advantages and disadvantages of nuclear energy.

2.6 The issue of **security of supply** also falls outside the scope of this exploratory opinion. This issue deserves its own opinion. But it is of course indisputable that in the current situation with a war in Europe in which gas and oil are used as geopolitical weapons, it is important to keep the existing power stations operational as much as possible and flexibility should be exercised with regard to the temporary use of fossil and low emission fuels. And as already mentioned, the Committee recognizes the right of each Member State to make its own choices about how electricity is generated in its own country. The Committee reiterates that it strongly supports what the European Commission writes in its REPowerEU plan: the challenge is rapidly reducing our dependence on Russian fossil fuels by fast forwarding the clean transition and joining forces to achieve a more resilient energy system and a true Energy union.

2.7 Although it is tempting to also discuss the **level of energy prices**, we do not do that, because the stability of the prices does not depend on the level of the price. Stability may or may not apply at any price level.

2.8 Some technical terms are explained here:

Market design: the way in which the electricity price is determined in the market.

Marginal costs: the amount by which total costs increase if a company produces one additional product.

Spot market: a spot market is the market for the exchange of commodities, like electricity, on which transactions are carried out for immediate payment and prompt delivery.

Merit order: the order of power plants based on the level of their marginal costs, starting with the lowest marginal costs and ending with the highest marginal costs. So, power plants with higher marginal costs are added until the demand is met. The order is: renewable energy, nuclear energy, coal, oil and gas. In today's electricity market design, the last power plant from the merit order (mostly gas) sets the price with its marginal costs.

### 3. Answer to the question

3.1 Of course, every power plant plays a role in the electricity market. For example, it is clear that the recent failure of many of France's nuclear power stations and the consequent need to import more electricity is reflected in the development of the price. But in this exploratory opinion we do not look at these more or less temporary situations, but at the structural side of the way in which the electricity market works.

3.2 We focus on the spot market, because it mainly determines the price that consumers have to pay. And, as mentioned, on the spot market the merit order is the market design.

3.3 The role of nuclear energy in the stability of EU energy prices depends on two variables, namely whether it concerns old or new nuclear power plants and whether it concerns the current market design or is it a new market design? So if you combine these variables, you get four different situations.

3.4 In order to give the clearest possible answer, it is therefore necessary to distinguish four different scenarios for these four different situations, namely the following:

- A : existing nuclear power plants in the existing market design
- B : existing nuclear power plants and a new market design
- C : new nuclear power plants in the existing market design
- D : new nuclear power plants and a new market design.

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**Amendment**

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**3.5 A: Existing nuclear power plants in the existing market design**

3.5.1 In almost all Member States, electricity generated in current nuclear power plants does not and cannot play a role in the price stability of electricity. The reason for this is the current market design of the merit order, with the plant with the highest marginal costs as price setter (almost always gas, even in France). There is one exception in the EU: Sweden, due to their electricity mix (almost 60 % renewables — mainly hydropower — and about 30 % nuclear) <sup>(1)</sup>.

**3.6 B: Existing nuclear power plants and a new market design**

3.6.1 In principle, it is conceivable that nuclear power plants then have a price-stabilizing effect — for example in a market design in which pricing is based on average costs and/ or nuclear power is out of the merit order. However, it is questionable what such a market should look like and how it should function. But in the UK, for example, a new model is now being implemented, namely to split the market into two segments: dispatchable power and non-dispatchable power. The dispatchable segment (mainly gas with residual coal and a little biomass) would follow the marginal pricing model, and the non-dispatchable would be paid on a full cost basis (some kind of regulated return on capital in the form of a Contract for Differences — which is where the UK has already gone with their new nuclear power station Hinkley Point C <sup>(2)</sup>). This does mean that the state will have to subsidize the nuclear power stations concerned if the electricity price in the market is lower than the agreed amount based on the regulated return on capital.

This means that such a new market design consists of two elements: a market segment in which the previous market design (= merit order based on marginal costs) applies and a second where there are de facto only contracts for differences. As a result, the electricity generated within the contracts for differences has a stable price and is thus reflected in a more stable price for the consumer. But the price for the consumer will still fluctuate, because a part of the electricity is still priced on the merit order.

**3.7 C: New nuclear power plants in the existing market design**

3.7.1 Nuclear power plants can have a stabilizing effect on prices if enough nuclear power plants are built so that nuclear power plants are regularly the last power plants in the merit order. This would mean that we would have to replace fossil power plants with nuclear power plants; so at least hundreds of new nuclear power plants in Europe! And: yes, then it would set the price, with a price level that — see Hinkley C — would be about twice as high as renewable electricity. However, due to marginal pricing, the inevitable consequence would be that the new nuclear power plants would not be able to finance themselves on the market, so they would need subsidies.

**3.8 D: New nuclear power plants and a new market design**

3.8.1 The nuclear power plants should be out of the merit order and under the cost (plus) system. The plus comes from the fact that next to government financial investments, the private sector needs to get on board to and have a fair RoI (Return on Investment), therefore the cost plus tariff (see also point 3.5.1).

**4. Summary**

4.1 The answer to the question of the Czech presidency is, in summary, in the current market design of the electricity market, nuclear energy cannot play a role in price stability. Only when the market design is adapted with substantial state aid, in addition to private financing, a situation of price stabilization by nuclear energy is possible.

4.2 Therefore the EESC advises the Czech presidency to open a structured dialogue at EU level with the aim of agreeing on a new market design for the electricity market that guarantees price stability.

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<sup>(1)</sup> <https://sweden.se/climate/sustainability/energy-use-in-sweden>

<sup>(2)</sup> <https://www.gov.uk/government/collections/hinkley-point-c>

**Reason**

In their statement of 8 September, EESC President Christa Schweng and TEN Section President Baiba Miltovica wrote: 'The EESC calls for joint European action to ensure the stability of electricity prices and to urgently reform the energy market.' And that is precisely the essence of this amendment, that we have drawn up in order to provide a clear and honest answer to the question from the Czech presidency.

The draft opinion TEN/776 that is on the table does not focus on the question of the Czech presidency, namely the question of the role of nuclear energy on the stability of the electricity price, but it is an opinion that is firstly mainly about security of supply and secondly an advertising message pro nuclear energy. Security of supply is of course also very important, but the presidency did not ask about that.

And unfortunately the rapporteur has also included many inaccuracies and questionable points in her opinion. We have described a selection of 20 of these points in a memorandum before the TEN section meeting earlier this month.

We want to underline that achieving price stability is one of the preconditions for offering electricity customers, both businesses and consumers, certainty about their costs in the short and medium term. Stable power prices therefore play a crucial role for the performance of European businesses and the creation and maintenance of employment.

**Therefore we prepared this amendment and we ask the Bureau of the EESC to accept it as a counter opinion.**

In this amendment we provide a clear and unambiguous answer to what this opinion should be about, namely what is the role of nuclear energy on the stability of energy prices in the EU. We will therefore NOT discuss the pros and cons of nuclear energy, nor the price level, because you may or may not have stability at any price level.

It is important to understand that if you want to do something about electricity prices, it is necessary to change the current energy price market system. A conclusion that is now expressed in many places in Europe, up to and including Ursula von der Leyen and the Energy Council of 9 September. A conclusion that we have repeatedly introduced in the process of this opinion.

Therefore we outlined in this amendment four scenarios to investigate in which situation of market design nuclear energy can and in which situation nuclear energy cannot have a stabilizing effect on energy prices. Our conclusion is that nuclear energy cannot have a stabilizing effect in two of the scenarios, but under certain conditions it may have a stabilizing effect in the other two scenarios.

Our view was supported by the three experts who were invited by the chair and the rapporteur of the study group to a meeting of the study group:

Prof Keppler: 'Nuclear energy has no real impact on electricity prices, and neither does an increase of 10 or 20 %!'

Mr Cometto (International Atomic Energy Agency, IAEA): 'On the short-term nuclear has a limited impact to lower electricity prices.'

Mr Goicea (FORATOM): 'Nuclear can in theory provide stability to final power prices but it's still a matter of market design.'

**Outcome of the vote:**

In favour: 98

Against: 135

Abstention: 27



## ANNEX II

	MEMBER	GROUP	MEM	Delegated vote
1	ANDERSEN, Dorthe	II	A	SORGENFREY, Bente
2	ANDERSSON, Jan Torsten	III	N	
3	ANDERSSON, Krister	I	Y	
4	ANGELOVA, Milena	I	Y	
5	ANTONIOU, Michalis	I	Y	
6	ARDHE, Christian	I	Y	
7	ATS, Kerli	III	Y	
8	BABRAUSKIENE, Tatjana	II	A	
9	BACK, Thord Stefan	I	Y	
10	BALDZENS, Egils	II	Y	
11	BARBUCCI, Giulia	II	A	
12	BARCELÓ DELGADO, Andrés	I	Y	
13	BARRERA CHAMORRO, Maria Del Carmen	II	N	
14	BARTELS, Holger	II	N	
15	BÄUMLER, Christian	II	N	
16	BERNIS CASTELLS, Jaume	III	Y	
17	BERTOLINI, Silvestre	II	Y	
18	BIEGON, Dominika	II	N	
19	BLANC, Patricia	III	Y	
20	BLIJLEVENS, René	I	A	
21	BOGUSZ, Malgorzata Anna	III	N	
22	BOLAND, Séamus	III	N	
23	BOLLON, Pierre	I	Y	
24	BORSANI, Matteo Carlo	I	Y	
25	BRISHOUAL, Rachel	III	A	

	MEMBER	GROUP	MEM	Delegated vote
26	BRONIARZ, Wincenty Slawomir	II	A	
27	BRZOBOHATÁ, Zuzana	III	N	
28	BYRNE, Peter	I	Y	
29	CABRA DE LUNA, Miguel Ángel	III	Y	
30	CALDERONE, Marina Elvira	III	N	
31	CALISTRU, Elena-Alexandra	III	A	
32	CAÑO AGUILAR, Isabel	II	N	
33	CATSAMBIS, Constantine	I	Y	
34	CHAMPAS, Panagiotis	III	Y	
35	CHARRY, Philippe	II	Y	DESIANO, Carole
36	CHOIX, Bruno	I	Y	
37	CLEVER, Peter	I	Y	HEMMERLING, Udo
38	COMER, John	III	Y	
39	CORAZZA, Chiara	III	Y	
40	COULON, Pierre Jean	II	Y	
41	COUMONT, Raymond	II	Y	
42	CSER, Ágnes	III	Y	
43	DE FELIPE LEHTONEN, Helena	I	Y	
44	DE LEEUW, Rudy	II	N	ULENS, Miranda
45	DE LOTTO, Pietro Francesco	I	Y	
46	DE MELLO, Vasco	I	Y	
47	DE MÛELENAERE, Robert	I	Y	
48	DEGUARA, Jason	II	N	
49	DEL RIO, Cinzia	II	N	
50	DESTOM, Joël	III	Y	
51	DIAMANTOUROS, Konstantinos	I	Y	

	MEMBER	GROUP	MEM	Delegated vote
52	DIMITRIADOU, Stavroula	II	N	
53	DIRX, Jan	III	N	NEISINGH, Ody
54	DOZ ORRIT, Javier	II	Y	
55	DROBINSKI-WEIß, Elvira	III	N	
56	DUFEK, Bohumír	II	Y	
57	DULEVSKI, Lalko	III	N	
58	DUTTO, Diego	III	N	
59	EDELÉNYI, András	I	Y	
60	FELSZEGHI, Sára	II	Y	
61	FORNEA, Dumitru	II	Y	
62	GARAT PÉREZ, Francisco Javier	III	Y	
63	GARCÍA DEL RIEGO, Antonio	I	Y	SABATINI, Giovanni
64	GARCÍA SALGADO, Manuel	II	Y	
65	GARDIAS, Dorota	II	Y	
66	GAVRILOVS, Vitalijs	I	Y	
67	GEISEN, Norbert	III	Y	
68	GKOFAS, Panagiotis	III	Y	
69	GOBINSĶ, Andris	III	N	
70	GONDARD-ARGENTI, Marie-Françoise	I	Y	
71	GRABO, Louise	III	Y	KILIM, Irma
72	HÄGGLUND, Sam	II	A	
73	HÄGGMAN, Maria	II	A	
74	HAJNOŠ, Miroslav	II	Y	
75	HAUKANÖMM, Monika	III	N	
76	HEALY, Joe	III	Y	
77	HERNÁNDEZ BATALLER, Bernardo	III	N	

	MEMBER	GROUP	MEM	Delegated vote
78	HOFFMANN, Reiner Gerd	II	N	
79	HOLST, Sif	III	A	
80	IOANNIDIS, Athanasios	III	Y	
81	IZVERNICEANU DE LA IGLESIA, Ileana	III	N	
82	JAHER, Luca	III	N	
83	JOHANSSON, Benny	II	A	
84	JONUŠKA, Alfredas	I	Y	
85	JOÓ, Kinga	III	Y	
86	JUODKAITE, Dovile	III	N	
87	KÁLLAY, Piroska	II	A	
88	KATTNIG, Thomas	II	N	BUZEK, Tanja
89	KIUKAS, Vertti	III	Y	
90	KLIMEK, Jan	I	Y	
91	KOKALOV, Ivan	II	Y	
92	KOLBE, Rudolf	III	N	
93	KOLYVAS, Ioannis	III	N	
94	KOMORÓCZKI, István	I	Y	
95	KONTKANEN, Mira-Maria	I	Y	
96	KOUTSIOUMPELIS, Stavros	II	Y	
97	KROPIL, Rudolf	III	Y	
98	KROPP, Thomas	I	Y	GERSTEIN, Antje
99	KRUPAVICIENE, Kristina	II	Y	
100	KÜKEDI, Zsolt	III	Y	
101	KUNYSZ, Maciej Dawid	III	A	
102	LADEFOGED, Anders	I	Y	
103	LE BRETON, Marie-Pierre	I	Y	

	MEMBER	GROUP	MEM	Delegated vote
104	LEFÈVRE, Christophe	II	Y	
105	LEITANE, Katrina	III	A	
106	LOBO XAVIER, Gonçalo	I	A	
107	LOHAN, Cillian	III	N	
108	LUSTENHOUWER, Colin	I	N	
109	MACHYNA, Emil	II	Y	
110	MADSEN, Niels	I	Y	
111	MALLIA, Stefano	I	Y	
112	MANOLOV, Dimitar	II	Y	
113	MARCHIORI, Alberto	I	Y	
114	MARIN, Florian	II	N	
115	MARTINOVIC DŽAMONJA, Dragica	I	Y	
116	MASCIA, Sandro	I	Y	
117	MASTANTUONO, Alena	I	Y	LEMCKE, Freya
118	MATSAS, Andreas	II	Y	
119	MAVROMMATIS, Manthos	I	Y	
120	MEDINA, Felipe	I	Y	
121	MENSI, Maurizio	III	A	
122	MERLO, Nicoletta	II	Y	
123	MESKER, August Pierre	I	N	
124	MEYNENT, Denis	II	N	
125	MILTOVICA, Baiba	III	Y	
126	MINCHEVA, Mariya	I	Y	PANGL, Andreas
127	MIRA, Luís	I	Y	
128	MISSLBECK-WINBERG, Christiane	I	Y	

	MEMBER	GROUP	MEM	Delegated vote
129	MITOV, Veselin	II	Y	
130	MONE, Andrea	II	A	
131	MOOS, Christian	III	A	
132	MORENO DÍAZ, José Antonio	II	A	
133	MORKIS, Gintaras	I	Y	
134	MOSTACCIO, Alessandro	III	N	
135	MUREȘAN, Marinel Dănuț	I	Y	
136	MURGUÍA ESTEVE, Aitor	II	N	
137	NIKOLOPOULOU, Maria	II	N	
138	NIKOLOV, Bogomil	III	N	
139	NOWACKI, Marcin	I	Y	
140	NYGREN, Ellen	II	A	
141	OCHEDZAN, Justyna Kalina	III	A	
142	O'CONNOR, Jack	II	A	
143	ÖNGÖRÜR, Berivan	II	A	
144	OSTROWSKI, Krzysztof	I	A	
145	PADURE, Decebal-Ștefăniță	I	Y	HAUNERT, Nora
146	PAIDAS, Ioannis	II	Y	
147	PALMIERI, Stefano	II	A	
148	PARTHIE, Sandra	I	A	
149	PATER, Krzysztof	III	Y	
150	PAVIĆ-ROGOŠIĆ, Lidija	III	A	
151	PENTTINEN, Markus	II	Y	
152	PETRAITIENE, Irena	II	Y	
153	PIETKIEWICZ, Janusz	I	Y	



	MEMBER	GROUP	MEM	Delegated vote
154	PILAWSKI, Lech	I	Y	
155	PLOSCEANU, Aurel Laurentiu	I	N	
156	POCIVAVŠEK, Jakob Kristof	II	A	
157	POPELKOVÁ, Hana	II	Y	VAN KELLE, Lottie
158	POTTIER, Jean-Michel	I	Y	
159	POTYRALA, Dariusz Mirosław	II	Y	
160	PREDA, Bogdan	I	Y	VUORI, Timo
161	PROUZET, Emilie	I	Y	
162	PUECH d'ALISSAC, Arnold	I	Y	
163	PUXEU ROCAMORA, Josep	I	Y	
164	QUAREZ, Christophe	II	Y	
165	RAMMO, Alari	III	Y	
166	RAVNIK, Branko	III	Y	
167	REALE, Maurizio	I	Y	
168	REDING, Jean-Claude	II	N	
169	REISECKER, Sophia	II	A	RUSU, Sabin
170	RELIC, Danko	III	A	
171	REPANŠEK, Neža	III	N	
172	RIBBE, Lutz	III	N	
173	RISTELÄ, Pekka	II	A	
174	ROBYNS, Wautier	I	Y	
175	ROCHE RAMO, José Manuel	III	N	
176	RÖPKE, Oliver	II	N	KLUGE, Norbert
177	SAKAROVÁ, Dana	II	Y	
178	SALIS-MADINIER, Franca	II	N	

	MEMBER	GROUP	MEM	Delegated vote
179	SAMMUT BONNICI, Dolores	I	A	
180	SCHAFFENRATH, Martin Josef	III	N	
181	SCHLÜTER, Bernd	III	A	
182	SCHMIDT, Peter	II	N	
183	SCHWARTZ, Arnaud	III	N	
184	SCHWENG, Christa	I	A	
185	SERRA ARIAS, Ricardo	III	Y	
186	SIBIAN, Ionut	III	N	
187	SILVA, Carlos	II	N	
188	SILVA, Francisco	III	N	
189	SILVA, João	II	N	
190	SINKEVICIUTE, Elena	III	Y	
191	SIPKO, Juraj	III	A	
192	ŠIRHALOVÁ, Martina	I	Y	
193	SMOLE, Jože	I	N	
194	SÖBER, Kristi	I	Y	
195	SOETE, Paul	I	Y	
196	STOEV, Georgi	I	Y	
197	STUDNICNÁ, Lucie	II	A	MILIĆEVIĆ-PEZELJ, Anica
198	SÜLE, Katalin Elza	I	Y	
199	SVENTEK, David	I	Y	
200	SZALAY, Anton	II	Y	
201	SZYMANSKI, Mateusz	II	Y	
202	TCHOUKANOV, Stoyan	III	N	
203	TEDER, Reet	I	Y	MAJETIĆ, Davor

	MEMBER	GROUP	MEM	Delegated vote
204	THURNER, Andreas	III	N	
205	TIAINEN, Simo	III	Y	
206	TOPOLÁNSZKY, Ákos	III	A	
207	TRINDADE, Carlos Manuel	II	N	MAURICIO DE CARVALHO, Fernando
208	TUPLUŞI, Tudorel	III	Y	
209	TZOTZE-LANARA, Zoe	II	N	
210	ULGIATI, Luigi	Non-insc.	Y	
211	UNGERMAN, Jaroslav	Non-insc.	Y	
212	VADÁSZ, Borbála	I	Y	
213	VARDAKASTANIS, Ioannis	III	N	
214	VASK, Kaia	II	Y	
215	VERNICOS, George	I	Y	
216	VIIES, Mare	II	Y	
217	VILARES DIOGO, Edgar	III	N	
218	VON BROCKDORFF, Philip	II	N	
219	VORBACH, Judith	II	N	
220	VYYRYLÄINEN, Tiina	III	Y	
221	WAGENER, Marco	II	N	WOLFF, Romain
222	WAGNSONNER, Thomas	II	N	
223	WILLEMS, Heiko	I	Y	
224	WILLEMS, Marie Josiane	III	A	
225	WRÓBLEWSKI, Tomasz Andrzej	I	Y	
226	WYCKMANS, Ferdinand	II	N	

	MEMBER	GROUP	MEM	Delegated vote
227	YIAPANIS, Anastasis	III	Y	
228	YILDIRIM, Ozlem	II	Y	
229	YLIKARJULA, Janica	I	Y	
230	ZARINA, Katrina	I	Y	
231	ZIELENIECKI, Marcin Antoni	II	Y	
232	ZORKO, Andrej	II	N	
233	ZVOLSKÁ, Marie	I	Y	HARTMAN RADOVÁ, Jana
234	ZYCH, Tymoteusz Adam	III	N	

## III

*(Preparatory acts)*

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

572ND PLENARY SESSION OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE,  
21.9.2022-22.9.2022**Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament and the Council — A European Health Data Space: harnessing the power of health data for people, patients and innovation***[COM(2022) 196 final]***Proposal for a Regulation of the European Parliament and of the Council on the European Health Data Space***[COM(2022) 197 final — 2022/0140 (COD)]*

(2022/C 486/16)

Rapporteur: **Gonçalo LOBO XAVIER**

Referral	European Parliament, 6.6.2022 Council, 13.6.2022
Legal basis	Article 114 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	8.9.2022
Adopted at plenary	22.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	198/0/1

**1. Conclusions and recommendations**

1.1 The EESC welcomes the Commission's Communication on the European Health Data Space. After the COVID-19 crisis, and with some good examples of cooperation, such as the European COVID certificate, the EU and its citizens can benefit from safe, harmonised and shared data that could boost the Member States' health systems in all their dimensions. The EESC agrees that the digital transformation is crucial in order to provide better healthcare to citizens, build stronger and more resilient health systems, support long-term competitiveness and innovation in the EU's medical ecosystem, and help the EU recover from the pandemic.

1.2 From the EESC's point of view, it is crucial to use the opportunities brought by innovation and digitalisation to boost citizens' wellbeing and improve the quality of health services. At the same time, organised civil society and the social partners draw attention to the fact that there are, among the EU Member States, different levels of digital literacy, which need to be addressed as part of the strategy implementation process. When it comes to this issue, the 'leave no one behind' motto is more relevant than ever.

1.3 For the EESC, the European Health Data Space proposal presents an excellent opportunity to empower individuals to access and control their personal health data. At the same level, the EESC believes that this strategy would ensure a consistent framework for using individuals' health data in the context of R&D policies. To achieve both goals, it is very important to guarantee confidence and safety in the process. For this reason, the EESC supports having a large-scale communication campaign to help build trust among the public. Citizens must be aware of the benefits associated with the sharing process. For the EESC, it would be interesting to highlight the direct benefits for citizens and consumers, as has been done for other stakeholders but it must be clear that mandatory quality requirements are in place, especially for authorisation and anonymity purposes.

1.4 The EESC considers that, as such, the European Health Data Space will have a significant positive impact on fundamental rights as regards personal data protection and free movement. If properly linked to the European Open Science Cloud (EOSC) data space and the relevant European life sciences data infrastructure<sup>(1)</sup>, it will enable researchers, innovators and policy-makers to use the data more effectively, securely, and in a way that safeguards privacy. Under this idea, the EESC agrees that this proposal is another good effort to boost the internal market and its potential for improving European citizens' lives.

1.5 Despite supporting this agenda, the EESC draws attention to the fact that the EU cannot ask the public to support a European area for the exchange of health data if funding for healthcare is scarce. COVID-19 has been a major blow to public health systems and the EU must be aware that it must repair the damage and strengthen public health systems with an adequate budget before taking steps towards this project, which is undoubtedly positive. In the EESC's opinion, if there is a budget for an 'agenda', the EU must allocate funds towards strengthening health systems and only then move towards this interesting project.

1.6 The EESC stresses the need to clarify the use of primary and secondary data for citizens. People must have trust and confidence in the system to cooperate and understand the benefits, both to individuals and the entire community. The EESC believes that the main fears relate to the secondary use of data. It must be very clear what the use is, what the limits are, what body will control and validate the data, and what sanctions are in place for the event of non-compliance. The EESC strongly believes that civil society organisations and social partners can help to explain and promote these messages if properly involved. Member States could truly benefit from civil society organisations on the ground to support the community in these matters, to ensure that no one misses out on this progress. In the same vein, general practitioners and treating physicians chosen by patients are key links in the chain of trust and confidence between patients and users of health data. The EESC recommends that these professionals should be particularly involved in the communication strategy.

1.7 The EESC, although generally in favour of this proposal, calls on the Commission to clearly reflect on the pros and cons of the initiative to reduce the risks before moving forward. One must realise that there are too many challenges ahead when we talk about the Member States' health systems. There are different paces, different views about public and private health systems and citizens must realise that this proposal means investment and public policy choices. It must be clear to citizens that it is part of a strategy and progress that will add value instead of undermining the system. Communication is needed to avoid misunderstandings by the general public.

1.8 With a view to promoting better access to insurance for everyone, which requires a better understanding on the part of insurers of the data evidence concerned, the EESC calls for a reflection on the relevance of having a review of the absolute prohibition on the use of secondary data by insurers. Nevertheless, given the concomitant risk involved in the individualisation of insurance premiums and risk selection, it considered it preferable to stick to the European Commission's position, which is that the secondary use of electronic health data should be restricted to the sole, perfectly legitimate objectives of improving and conducting public health policies and research. The Committee also calls for thought

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(1) The European Strategy Forum on Research Infrastructures, through its strategic roadmaps, facilitated the establishment of European research infrastructure dedicated to health research data, biobanking collection, medical imaging data, etc. Details available at: <https://roadmap2021.esfri.eu/>

to be given to the possibility of opening this data up to insurers for research purposes, provided they are fully compatible with the GDPR and the public interest objectives referred to above, and are monitored by the competent authorities in cooperation with civil society.

1.9 The EESC firmly believes that the European Health Data Space will benefit individuals, health professionals, healthcare providers, researchers, regulators and policy-makers, but this will only happen if, in the context of this strategy, citizens and stakeholders are involved in the continuous investment in national health systems. It is not possible to get citizens involved if they do not feel they are at the heart of the process. The EESC recommends that the Commission and the Member States involve civil society organisations to make the implementation of the strategy a success and to benefit from the experience of such organisations, which can spread the word about the transparency and reliability of the initiative. Investment in these areas is crucial.

1.10 The EESC supports the idea that a combination of investments from the Digital Europe Programme, the Connecting Europe Facility and Horizon Europe can be used by the Member States and bodies involved in the European Health Data Space in order to implement the strategy. Furthermore, the Digital Europe Programme will support the deployment of the infrastructure needed to make health data securely accessible across EU borders and to develop common data spaces. However, the EESC also draws attention to the fact that these investments will take time and are not directly linked to the strategy timeline. Citizens' expectations must therefore be balanced within the timeline of these investments in order not to risk disappointing them and failing to gain their acceptance for the strategy and for data sharing in general.

1.11 Finally, the EESC urges the Commission to consistently invest in cybersecurity systems, which can prevent huge problems in all Member States. People must be able to trust in these matters and all the recent problems and examples in many different parts of the EU have created a sense of insecurity and fear regarding data protection and systems security. This must be addressed in a coordinated way by the EU and can make the difference when we address this kind of sensitive investment.

## **2. General framework**

2.1 The European Commission has launched the European Health Data Space (EHDS), one of the central building blocks of a strong European Health Union. The EHDS is a health-specific data sharing framework establishing clear rules and practices, infrastructure and a governance framework for the use of electronic health data by patients, as well as for research, innovation, policy making and regulatory activities, while ensuring full compliance with the EU's high data protection standards.

2.2 It will help the EU achieve a quantum leap forward in the way healthcare is provided to people across Europe. It will empower people to control and utilise their health data in their home country or in other Member States. It fosters a genuine single market for digital health services and products.

2.3 The Member States will ensure that patient summaries, ePrescriptions, laboratory results and discharge reports are issued and accepted in a common European format. Interoperability and security will become mandatory requirements. To ensure that citizens' rights are safeguarded, all Member States have to appoint digital health authorities. These authorities will participate in the cross-border digital infrastructure (MyHealth@EU), which will support patients in sharing their data across borders.

2.4 The EHDS builds further on the GDPR, the proposed Data Governance Act, the draft Data Act and the NIS Directive. It complements these initiatives and provides more tailor-made rules for the health sector.

2.5 The primary use of electronic health data supports the use of data for better healthcare at national and cross-border level. Medical data is typically stored in electronic health records, containing segments of a patient's medical history (centrally or involving various healthcare providers). The European Health Data Space will allow people to access their health data and make their data available to a health professional of their choice, including when abroad and in the language of the health professional. Thus, the patient can get a better diagnosis and treatment with fewer medical errors and avoid unnecessary diagnostics.



2.6 The secondary use of electronic health data takes place when health data is processed in order to inform and assess public health policies or to conduct research. This can enhance patient safety and boost the development of new medicines and medical devices, as well as personalised medicine and products relying on artificial intelligence. In the context of the European Health Data Space, the results of such research are made public in aggregated form, duly preserving data privacy.

2.7 The European Health Data Space is a health-specific ecosystem comprised of rules, common standards and practices, infrastructure, and a governance framework that aims at:

- a) empowering individuals through increased digital access to and control of their electronic personal health data and support for their free movement;
- b) fostering a genuine single market for electronic health record systems, relevant medical devices and high-risk AI systems;
- c) providing a consistent, trustworthy and efficient set-up for the use of health data for research, innovation, policy-making and regulatory activities.

### **3. The power of health data: trust as the centre of the strategy**

3.1 The EESC welcomes the Commission's initiative on a 'European Health Data Space', which has the potential to increase citizens' quality of life, boost innovation and create a safe environment for data protection and data sharing.

3.2 After the COVID-19 crisis, all Member States have suffered from the pressure that their national health systems have endured, and this Commission initiative arrives at the right moment.

3.3 The EESC is convinced that there is a general distrust regarding the solidity of the system, in spite of some positive results seen in many different countries. General practitioners and treating physicians chosen by patients are key links in the chain of trust and confidence between patients and users of health data. The EESC recommends actively involving them in informing citizens about the value of health data exchanges for them as individuals and for all.

3.4 In order to unleash the potential of health data, the Commission has presented a legislative proposal to create a European Health Data Space in order to empower individuals to take control of their own health data and to allow its use to ensure the delivery of better healthcare and to enable the EU to make full use of the potential offered by the safe and secure exchange, use and re-use of health data, without the existing obstacles. The EESC supports this general idea.

3.5 EU citizens will be able to access and share their data in real time, while retaining greater control over it. The European Health Data Space will allow for more effective, accessible and resilient healthcare and better quality of life, while giving individuals control over their health data and unleashing the potential of the data economy. Once again, the EESC and organised civil society believe that the EU must take advantage of the fact that people are open to such an initiative as long as they understand the project and the benefits of the concept.

### **4. Challenges linked to the use of health data: risks and opportunities**

4.1 The EESC believes that it is crucial that Member States realise that investments are needed in order to promote this project and that there are currently several other competing strategic priorities.

4.2 The fact that the European Health Data Space is built on the General Data Protection Regulation (GDPR) <sup>(2)</sup>, the Data Governance Act <sup>(3)</sup>, the draft Data Act <sup>(4)</sup> and the NIS Directive <sup>(5)</sup> provides citizens with a dimension of trust and transparency. As horizontal frameworks, these provide rules (including security measures) that apply to the health sector. However, the particularly sensitive nature of health data is a fact and must be properly addressed.

4.3 Over half of Member States do not have specific legislation on re-using electronic health data, for instance for research, policy-making or regulatory purposes, and rely on the general provisions of the GDPR, often using consent for processing health data <sup>(6)</sup>. This situation results in limited health data re-use. Not all Member States have a competent body for health data access, but where such a body exists, the number of requests to use health data for research or policy-making projects is rapidly increasing <sup>(7)</sup>, showing the interest in such a system and the level of suppressed demand. The EESC understands and believes that this concept also supports the need for such a strategy.

4.4 The European Health Data Space will open up innovative approaches to cancer registration, with potential alternatives to gather timely, geo-localised information on various types of cancers. This could provide a real-time state of play of cancers across the EU. At the same time, it could identify trends, disparities and inequalities between Member States and regions.

4.5 Importantly, this could make it easier to spot the challenges and specific areas of action requiring investment and other action at EU, national and regional level. It will also make cancer screening and care more targeted, more effective and more accessible, to give but one example.

4.6 Cybersecurity is central to people's lives. The benefits from technology are huge and when they relate to people's data, the potential is even higher, but so is the risk of losing important and valuable information. The EESC is aware of the risks involved and the recent examples in different Member States call for action. A coordinated strategy to combat 'cyber piracy' and to increase levels of cybersecurity is very important. Without this kind of investment, the proposal is useless.

## 5. Governance, funding and interaction with other health policies

5.1 The EESC firmly believes that this project is an opportunity to empower the EU, and to benefit from stronger rights and safeguards over EU health data. It is supposed to be easier to access and share health data with other health professionals, without having to re-do the same tests unnecessarily. At the same time, easier access to interoperable data of high quality will also facilitate innovation and the development of new treatments, new vaccines and personalised medicine. Therefore, proper coordination among all stakeholders — public health systems, governments, citizens, policymakers and communicators — is needed to achieve these goals.

5.2 The EESC agrees that investing in digitalisation means investing in better healthcare and the resilience of the Member States' health systems. However, the EESC also understands that there is an opportunity for the Member States to make better use of the resources provided by the European financial schemes, particularly the Recovery and Resilience Facility (RRF), as the main pillar of the European recovery plan, NextGenerationEU, aimed at providing financial aid to Member States to combat the economic and social effects of the COVID-19 pandemic and to make the European economy more resistant to future shocks.

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<sup>(2)</sup> OJ L 119, 4.5.2016, p. 1.

<sup>(3)</sup> OJ L 152, 3.6.2022, p. 1.

<sup>(4)</sup> Proposal for a Regulation on harmonised rules on fair access and use of data (Data Act); COM(2022) 68 final.

<sup>(5)</sup> OJ L 194, 19.7.2016, p. 1.

<sup>(6)</sup> Hansen J. et al, *Assessment of the EU Member States' rules on health data in the light of GDPR*, available at [https://ec.europa.eu/health/system/files/2021-02/ms\\_rules\\_health-data\\_en\\_0.pdf](https://ec.europa.eu/health/system/files/2021-02/ms_rules_health-data_en_0.pdf)

<sup>(7)</sup> According to the impact assessment accompanying the proposal (p. 15), forthcoming.

5.3 The EESC draws attention to the benefits of combining investment in infrastructure that allows digitalisation and progress for all regions. It is pointless to start a project of such a dimension without the proper network or infrastructure or without investing in improving the training and digital literacy of citizens.

5.4 The EESC supports the idea that more than EUR 480 million from the Digital Europe Programme, the Connecting Europe Facility and Horizon Europe can be used by the Member States and bodies involved in the European Health Data Space, along with other sectors. The Digital Europe Programme will also support the deployment of the infrastructure needed to make health data securely accessible across EU borders and to develop common data spaces. The EESC states that these investments will take time and that citizens' expectations must be balanced within the timeline of these investments.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council on geographical indication protection for craft and industrial products and amending Regulations (EU) 2017/1001 and (EU) 2019/1753 of the European Parliament and of the Council and Council Decision (EU) 2019/1754**

(COM(2022) 174 final — 2022/0115 (COD))

(2022/C 486/17)

Rapporteur: **Paulo BARROS VALE**

Referral	Council of the European Union, 11.5.2022
Legal basis	Articles 118(1) and 207(2) of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	8.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	227/2/2

## 1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the Commission's initiative on the protection of geographical indications (GIs) for industrial and craft products at EU level, which fills the gap in legislation on these types of products. Regional identity and traditional know-how should be protected and legislation in this area is an important tool for regions' development, as the protection provided by geographical indication protects both producers and consumers.

1.2. The EESC believes that GI protection promotes the development of regions, especially the less developed regions, encouraging producers by ensuring that their products are recognised and protected against imitations, attracting communities and maintaining them by providing more skilled and better paid job opportunities, and boosting sustainable tourism, especially niche tourism based on the region's reputation.

1.3. The Commission is putting forward a proposal for a regulation on the protection of GIs for craft and industrial products. The EESC is not convinced that this option is preferable to that of extending the existing framework for agricultural products and foodstuffs, wines and spirits to cover industrial and craft products. This second option could avoid the further expansion of legislation, procedures and authorities by creating a single system of protection per geographical indication, applicable to any product type.

1.4. The EESC considers it essential that the geographical indication symbol to be used should be attractive and suitable for all new forms of communication, from traditional labels to more advanced digital communication. It should convey to the consumer the perception of quality and trust and assist producers in their communication. The EESC believes that thought could be given to updating the current protected geographical indication symbol contained in the Annex to Commission Delegated Regulation (EU) No 664/2014 of 18 December 2013 <sup>(1)</sup> and to creating a trademark handbook.

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<sup>(1)</sup> OJ L 179, 19.6.2014, p. 17.

1.5. The EESC deems it essential that the transition from geographical indication protection at national level to EU level be swift and straightforward. It is important that the two systems should not be used in parallel for too long, as this would confuse both consumers and producers. Furthermore, Member States already using geographical protection under the Lisbon Agreement should soon be able to display the EU symbol and thereby add a perception of quality to their products.

1.6. The EESC recommends that the Commission closely monitor any disputes that may arise in the certification processes, in particular with non-EU countries, and exercise its negotiating power. The decision to award certification should undoubtedly be taken by the European Union Intellectual Property Office (EUIPO), a body recognised as competent in matters of industrial property, but a channel of communication between that body and the Commission should be established to examine cases in which there is doubt and which may give rise to disputes. Cross-border regions (both within and outside the EU) can be a particular challenge for building the consensus that is essential to protect producers and consumers.

## 2. General comments

2.1. The aim of the Commission proposal is to ensure the protection of geographical indications (GIs <sup>(2)</sup>) for craft and industrial products at EU level. Craft and industrial products are excluded from the scope of the current GI protection mechanism, which only covers agricultural products and foodstuffs, wines and spirits. There are many craft and industrial products in the EU, with unique characteristics linked to their region of origin, which are repeatedly imitated and counterfeited and must be protected as a matter of urgency.

2.2. The absence of an EU-wide protection mechanism and the legal uncertainty arising from divergent or non-existent national legislation makes it difficult to protect craft and industrial products with unique characteristics linked to their region of origin. These gaps may result in the disappearance of products and the skills associated with them. Products with a regional identity, with unique characteristics and which are part of the tradition and identity of the regions should be preserved and used to boost regional development, pass on local know-how and attract and maintain communities.

2.3. In November 2019, the EU signed up to the Geneva Act of the Lisbon Agreement on Designations of Origin and Geographical Indications <sup>(3)</sup>. A legislative framework should now be created to enable the Union to submit a list of its geographical indications to be placed under the protection of the system, allowing European producers to benefit from this protection.

2.4. As it has previously stated <sup>(4)</sup>, the EESC considers GI protection to be a valuable resource for European producers and supports the creation of a harmonised system to protect geographical indications for non-agricultural products. The EESC argues that this system helps producers to present their quality products more effectively in a globalised, liberalised and competitive market, having an even more marked positive impact on less developed regions.

2.5. This position had already been put forward by the EESC in 2015 in its opinion on EU geographical indications/non-agricultural products <sup>(5)</sup>. In addition to expressing its support for extending GI protection to non-agricultural products through regulation at EU level, the EESC recommends that the new system could be modelled, as far as possible, on the existing framework for agricultural products and foodstuffs, wines and spirits.

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<sup>(2)</sup> Geographical indication (GI) means any indication referring to a product originating in a specific geographical area whose specific quality, reputation or other characteristic is essentially related to its geographical origin.

<sup>(3)</sup> The Geneva Act of the Lisbon Agreement, administered by the World Intellectual Property Organization (WIPO), enables contracting parties to receive rapid high-level and indefinite protection for GIs. The Geneva Act updates the Lisbon Agreement and extends its scope to cover all GIs.

<sup>(4)</sup> OJ C 286, 16.7.2021, p. 59.

<sup>(5)</sup> OJ C 251, 31.7.2015, p. 39.

2.6. The EESC believes that GI protection for craft and industrial products has the potential to generate a number of positive impacts: on product quality, which is required to meet the criteria for GI protection, giving consumers confidence; on attracting people and keeping them in the region by creating more skilled and better-paid jobs, and on the pride and good reputation gained from the sense of belonging to a region with unique characteristics; on the development of sustainable tourism; and on protection against the damage caused by imitation and counterfeiting.

### 3. Specific comments

3.1. The Commission proposal is based on the provisions of the Treaty on the Functioning of the European Union (TFEU) concerning intellectual property and common trade policy <sup>(6)</sup>. It aims to establish a common protection system for craft and industrial products (a unitary European intellectual property right) and to set up centralised mechanisms for authorisation, coordination and supervision, in line with the Lisbon system, implementing the agreement concluded with the signing of the Geneva Act. The selected instrument is a self-standing regulation, in line with the existing regulation for agricultural products and foodstuffs, wines and spirits. Stakeholders, who broadly support the creation of a specific GI scheme, were consulted.

3.2. In the impact assessment, three policy options were analysed in addition to maintaining the current regulatory framework (fragmented and with weak protection at international level) — Option 1: extending the GI protection system for agricultural products to GIs for craft and industrial products; Option 2: a self-standing EU regulation creating specific GI protection: to create a *sui generis* GI protection; Option 3: reform of the trademark system.

3.3. Option 2 was selected, with a proposal for a regulation on the protection of GIs for craft and industrial products. The EESC is not sure that this is the best option as, if the proposal is to adopt a system identical to the existing one for agricultural products and foodstuffs, wines and spirits, it might be simpler to extend the existing framework to craft and industrial products (Option 1). As part of the ongoing review of the agri-food sector, this new class of products would be included, harmonising procedures for recognising GIs without any further expansion of legislation, procedures and authorities.

3.4. As regards the territorial link, the EESC supports the choice of a protected geographical indication (PGI) instead of the protected designation of origin (PDO). We do not believe it is actually essential for protection of this type of product to be limited to those where all stages of production, processing or preparation originate in the region that has been defined. The identity of a craft or industrial product may remain, even if one of these stages originates in another region, as its identity stems from the history or method of production.

3.5. The EESC believes that the option of having a two-stage system, first at national and then at EU level, is the most appropriate one. The Member States are best placed to know the characteristics of their territory and of the products that can benefit from the geographical indication protection system, and, furthermore, there is no language barrier. The EESC merely draws attention to the need for the national system to be flexible and straightforward and to ensure a level playing field for all producers, regardless of their origin.

3.6. The EESC supports the choice of EUIPO <sup>(7)</sup> to be in charge of registration for the EU-level stage. EUIPO is an institution with extensive experience in industrial property matters, with proven capacity and competence in fulfilling its responsibilities, and has the necessary tools to process these registrations. This choice is all the more important as it will make it possible to check for incompatibilities in GI registrations with the registration of trademarks and patents.

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<sup>(6)</sup> Articles 118 and 207 TFEU.

<sup>(7)</sup> EUIPO — European Union Intellectual Property Office.

3.7. The EESC supports the possibility of applications for registration, cancellation or amendment of the product specifications of geographical indications being submitted by a producer group directly to EUIPO, when originating from a Member State requesting an exemption from designating a competent authority to manage the national registration stage and other procedures relating to this category of products. No producer should be excluded from the GI protection system when they can be included in it, even where their country of origin does not recognise the importance of investing in this instrument.

3.8. The EESC is pleased to note the self-declaration option for verifying compliance with the GI product specifications. For these cases, provision is made for random checks to be carried out by the Member States. The EESC draws attention to the difficulty of such checks and even to conflicts of jurisdiction, which may arise where the boundaries of the GI covers more than one Member State or, in particular, a non-EU country.

3.9. The EESC is in favour of craft and industrial products being protected by a European title replacing existing national schemes. This option avoids the co-existence of two systems (European and national) and provides a uniform approach. It is particularly important in facilitating the protection procedure in cross-border regions, standardising procedures.

3.10. The EESC stresses the importance of defining what is a craft and industrial product, as stated in Article 3 of the proposal for a regulation. This definition should enjoy broad consensus among stakeholders so that there is no doubt about which products can be protected by GIs.

3.11. The EESC believes that the innovation factor should be included in the product specification as it can contribute to safeguarding and developing cultural heritage. A change in a production method that is due to innovation, whether technological or process-related, which does not call into question a product's quality, authenticity, reputation or characteristics attributable to its geographical origin, should not lead to withdrawal of protection or to a new application process.

3.12. The EESC is concerned that there may be conflicts surrounding the choice and/or use of a region's name, as well as in post-certification checks, between Member States and, in particular, with non-EU countries. A cross-border GI may lack consensus on the nomenclature to be adopted and prevent some producers from accessing this protection, and the Commission should have the political authority to negotiate a consensus. This power of the Commission is of particular importance when it comes to post-certification monitoring to set fair compliance assessment criteria on both sides of the border.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council laying down rules to prevent and combat child sexual abuse**

(COM(2022) 209 final — 2022/0155 (COD))

**and on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — A Digital Decade for children and youth: the new European strategy for a better internet for kids (BIK+)**

(COM(2022) 212 final)

(2022/C 486/18)

Rapporteur: **Veselin MITOV**

Referral	Council of the European Union, 22.7.2022 European Parliament, 12.9.2022 European Commission, 28.6.2022
Legal basis	Article 114 of the Treaty on the Functioning of the European Union Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Section for the Single Market, Production and Consumption
Adopted in section	8.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	233/0/1

## 1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the proposal for a regulation laying down rules to prevent and combat child sexual abuse <sup>(1)</sup> and the strategy entitled *A Digital Decade for children and youth: the new European strategy for a better internet for kids* <sup>(2)</sup>; these texts are very well timed given that children are using the internet at an earlier age and almost daily and that Europol has noted an increasing demand for child sexual abuse material.

1.2. It supports the educational dimension of the strategy, as it is essential to strengthen skills, digital literacy and awareness of the use of personal data so that all children, whatever their circumstances, can make informed use of the internet so as to protect themselves from potential dangers.

1.3. Training of legal guardians and of the competent people in environments such as schools, educational institutes and sports is also crucial, as many adults do not have the necessary skills. The EESC welcomes the Commission's intention to organise media literacy campaigns for children and their legal guardians, through the aforementioned networks and multipliers. It strongly encourages extending them to include other organised civil society organisations, in order to increase their impact and develop creative solutions, as in some Member States they have long-standing grassroots and front-line experience. They should therefore be given financial support for their activities as well.

1.4. The Committee supports the principle of the proposed regulation, but has reservations as regards the disproportionate nature of the measures envisaged and the danger of the infringement of the presumption of innocence, since it aims to oblige technology companies to scan messages, photos and videos posted online in order to detect possible child abuse and then, in the event of 'certainty' and after the fact, to involve a coordination authority appointed by the Member State. That authority would be empowered to ask a national court or an independent administrative authority to issue a detection order.

<sup>(1)</sup> COM(2022) 209 final.

<sup>(2)</sup> COM(2022) 212 final.

1.5. Combating child pornography online is legitimate and necessary, but imposing a private detection system *prima facie* for a certain type of content, however illicit, illegal and dangerous, poses a risk of widespread monitoring of all virtual exchanges.

1.6. The proposed regulation stipulates that companies are to detect language models related to child sexual abuse, using artificial intelligence to analyse exchanges where adults engage in grooming. However, it is clear from our digital lives that algorithmic scans are not infallible. It is vitally important that they be used cautiously and in accordance with a set of rules.

1.7. The EESC's aim is to safeguard the interests of all, including secrecy of correspondence and respect for privacy, which are constitutional requirements <sup>(3)</sup>. However, a general sweep of hosting and communication services poses a specific risk to end-to-end encryption of online exchanges. It asks the Commission to make the text better and more specific in order to safeguard secrecy of correspondence and respect for privacy.

1.8. The EESC supports the creation of a new European agency, whose responsibilities include two key areas: an operational hub and a research and analysis hub; due to its international dimension, the fight against child pornography and paedophilia online calls for coordination of operational activities and analyses.

1.9. The EESC would welcome Eurojust's involvement in the structure envisaged by the Commission, as coordinated investigations mean coordinated judicial inquiries.

## 2. Overview of the Commission's planned measures

2.1. On 11 May 2022, the Commission presented a proposal for a regulation of the European Parliament and of the Council *laying down rules to prevent and combat child sexual abuse* <sup>(4)</sup>, and a strategy entitled *A Digital Decade for children and young people: the new European Strategy for a better internet for kids* <sup>(5)</sup>.

2.2. The package is based on the European Parliament resolution of 26 November 2019 on children's rights on the occasion of the 30th anniversary of the UN Convention on the Rights of the Child <sup>(6)</sup>, the Council conclusions on media literacy and the Council Recommendation of 14 June 2021 establishing a European Child Guarantee <sup>(7)</sup>.

### The strategy set out in the communication

2.3. The 2012 European Strategy for a Better Internet for Children played a central role in the online protection and empowerment of children, partly thanks to the network of Safer Internet Centres and the *betterinternetforkids.eu* portal. However, it has since become obsolete as children now begin using smartphones and computers at an earlier age and use them more often. They are also increasingly dependent on them for school or leisure activities.

2.4. The COVID-19 pandemic and the accompanying lockdown have highlighted the challenges of digital training for children, teachers and educators on the potential dangers of the internet. According to Europol, demand for child sexual abuse material has increased by 25 % in some Member States. Reports of children targeted by sexual grooming increased by more than 16 % between 2020 and 2021.

2.5. The strategy proposed by the Commission in May 2022 is based on three pillars:

- protecting children from illegal and dangerous online content and improving their well-being online;
- digital empowerment, so that children acquire the skills needed to navigate online and express themselves in a safe and responsible manner;
- active participation of children by giving them the right to have their say and to more innovative activities to improve their online experience.

<sup>(3)</sup> La constitutionnalisation du droit au respect de la vie privée (available in French only).

<sup>(4)</sup> COM(2022) 209 final — 2022/0155 (COD).

<sup>(5)</sup> COM(2022) 212 final.

<sup>(6)</sup> OJ C 232, 16.6.2021, p. 2.

<sup>(7)</sup> OJ L 223, 22.6.2021, p. 14.

2.6. It builds on the wide-ranging consultation #DigitalDecade4YOUth<sup>(8)</sup> organised from March to August 2021 by European Schoolnet, with the support of the Insafe network of European Safer Internet Centres, complemented by broad consultations, and is based on the right of children to be heard in any decision-making process that affects them<sup>(9)</sup>.

2.7. It was complemented by a MOOC for teachers in April and May 2021 entitled *Better Internet for Kids* on the topic of 'Digital literacy and online safety: how the pandemic tested our skills'.

2.8. In addition, EU citizens (parents, teachers, educators, etc.) had the opportunity to respond to an online survey based on the same questions as the #DigitalDecade4YOUth consultation.

2.9. The conclusions of the 2020 survey *EU Kids Online*<sup>(10)</sup> show that the majority of children use their digital device almost daily, begin to do so at an earlier age and spend more and more time on them.

2.10. The COVID-19 pandemic and the lockdown have highlighted the challenges of digital education for children and adult legal guardians (see the Digital Education Action Plan 2021-2027<sup>(11)</sup>).

2.11. Indeed, the information collected shows that children are frequently exposed to harmful, illicit or even illegal content, behaviour and contacts. The use of social media or interactive games entails risks such as exposure to unadapted content, harassment, grooming and sexual abuse.

2.12. According to Europol<sup>(12)</sup>, in the first months of the COVID-19 crisis demand for child sexual abuse material increased by up to 25 % in some Member States. The National Centre for Missing and Exploited Children in the United States received almost 30 million reports of suspected sexual exploitation of children in 2021, and law enforcement officers were alerted to more than 4 000 new child victims. Reports of children subject to grooming increased by more than 16 % between 2020 and 2021. Children with disabilities are especially targeted: up to 68 % of girls and 30 % of boys with a mental or physical impairment will be victims of sexual violence before their 18th birthdays<sup>(13)</sup>.

2.13. However, in existing EU legislation (the AVMSD and GDPR), the mechanisms for age verification and parental consent often lack effectiveness, as users are usually only required to indicate their date of birth when creating an online profile.

2.14. The proposed regulation imposes an obligation on providers of online hosting or communication services to detect, report and remove any online material relating to child sexual abuse.

2.15. It also provides for the creation of a European agency to prevent and combat child sexual abuse, to facilitate the detection, reporting and removal of child sexual abuse content online, to provide support to victims and to establish a centre of knowledge, expertise and research on preventing and combating child sexual abuse.

### General comments on the proposed regulation

2.16. It is based on evaluation and risk mitigation obligations incumbent on internet hosting and interpersonal communication service providers, before a detection order can be issued by a national court or an independent administrative authority appointed by the Member State.

2.17. The EESC supports the principle of the initiative which complements and makes existing measures more effective through penalties for internet hosting and interpersonal communication service providers, making them responsible for tracking *prima facie* child abuse photos and videos.

2.18. However, it has reservations regarding the risks to privacy and encryption of conversations. The potential surveillance of online exchanges by private operators and the potential for unfounded accusations could undermine the presumption of innocence.

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<sup>(8)</sup> <https://europa.eu/!XXv6kx>

<sup>(9)</sup> Article 12 of the United Nations Convention on the Rights of the Child.

<sup>(10)</sup> *EU Kids Online*.

<sup>(11)</sup> COM(2020) 624 final.

<sup>(12)</sup> <https://europa.eu/!jh78ux>

<sup>(13)</sup> Children with disabilities.

### 3. Specific comments

#### The educational component of the strategy

3.1. Educating children and their legal guardians about the use of social media and other digital tools is fundamental, as children often use digital products and services designed for adults, where targeted marketing techniques and algorithms can encourage them to open content aiming to take advantage of their naivety and lack of knowledge of digital tools, or even lead to communication with dangerous people hidden behind gaming applications or other tools used by children.

3.2. Often, neither children nor parents realise the extent of the personal data they share on social media. Digital skills and literacy, and awareness of the use of personal data, are essential for children to make informed use of the virtual world.

3.3. Parents, educators, teachers, the responsible adults at clubs, leisure facilities, etc. also need these skills to be able to guide children.

3.4. The EESC considers this educational aspect to be important in order to protect children in their digital lives and empower them in the virtual world.

3.5. After all, many teachers, parents and educators do not have the requisite skills, and it is difficult for them to keep abreast of technological developments.

These training courses should also include a module on children's rights online as children's rights are identical both on- and offline.

3.6. This aspect of the strategy must be based on close cooperation at European and international level, on strengthening work with organised civil society, and above all with schools.

It is essential that national curricula include practical and compulsory courses on online navigation and its risks, while being inclusive and respectful of diversity in general and of accessibility in particular.

3.7. The EESC welcomes the Commission's intention to organise media literacy campaigns for children and their legal guardians, through the aforementioned networks and multipliers. It strongly encourages extending them to include other organised civil society organisations, in order to increase their impact and develop creative solutions, as in some Member States they have long-standing grassroots and front-line experience. The EESC considers that education plays a key role here: it is the other side of the coin of prevention of child sexual abuse.

3.8. The EESC agrees with the Commission that children must be encouraged to take part in strategic debates which concern them by granting them the right to meet and to associate on online social platforms and involving them in the process of shaping the digital strategy. It therefore welcomes the creation of the new European platform promoting the participation of children and calls for children to be listened to and not merely heard.

### 4. The penalties laid down in the proposed regulation

4.1. Until now, internet hosting and interpersonal communication service providers have detected illegal content on a voluntary basis. Implicitly regretting the failure of self-regulation, the Commission proposes to force them to act, failing which they will be penalised following an investigation by national authorities. In practice, this means that suppliers and hosts will have to scan all traffic passing through their servers *prima facie*.

4.2. The EESC understands that the Commission's intention is not to deprive people of the ability to keep their correspondence confidential, but is concerned that the potentially inappropriate use of intrusive technologies could undermine the protection of privacy if they are not well designed and subject to suitable rules. The goal is twofold: use technology to prevent child sexual abuse and avoid widespread surveillance of correspondence by private operators using algorithms.

4.3. The EESC considers that rules must be established regarding the development, testing and use of algorithms by encouraging or even requiring stakeholders to shape relevant and effective algorithm governance in order to ensure that their tools work properly. It feels that explainability methods must provide a better understanding of the tools with a view to highlighting bias and dysfunctions and thus correcting problems before users pay the price for them.

4.4. The EESC notes that the proposal provides for coordinated investigations under the supervision of the national courts, but urges the Commission to improve the proposal to safeguard individual freedoms.

4.5. The EESC stresses the importance of a balanced approach, since the system envisaged consists of analysing messages, photos or videos to detect possible child abuse and, in the event of 'certainty', alerting the competent authorities. It is necessary for the alert mechanism to take account of the necessity, effectiveness, proportionality and balance of the envisaged measures.

4.6. The Committee recalls that in the Schrems I case<sup>(14)</sup>, the Court of Justice ruled that legislation allowing public authorities to have generalised access to the content of communications undermines the essence of the right to privacy guaranteed by the Charter of Fundamental Rights. The digitisation of content recorded on a server involving an analysis of all communications made via the server therefore raises questions.

4.7. The responsibility for tracing will lie with platforms and/or social media, which may therefore be requested to track child abuse materials, failing which they will have to pay fines amounting to 6 % of their worldwide turnover. They should use artificial intelligence and detect language models so that exchanges where adults engage in grooming can be blocked. Proper use of algorithmic scanners is therefore essential to avoid errors that give rise to unfounded accusations, as they are not infallible.

4.8. The Commission also plans to oblige platforms to assess the risk of their services being used to disseminate child sexual abuse images or for grooming, and to promote a 'comprehensive EU code of conduct on age-appropriate design'<sup>(15)</sup>, with general conditions that leave the EESC perplexed.

4.9. It specifies that Member States will have to designate an independent authority to monitor the fulfilment of obligations by platforms — an authority that will be empowered to request, where appropriate, that a national court or independent administrative authority issue a detection order, limited in time, targeting a specific type of content on a given service, and require the company concerned to search for any content relating to child sexual abuse or grooming.

4.10. If these independent authorities considered that a service was too risky for children, they could ask internet hosting and interpersonal communication service providers to scan their content and exchanges for a specific period of time. The EESC would prefer the application of this mechanism to be placed under the effective prior control of a national court, as the guardian of individual freedoms, and considers that the compatibility of this type of order with the Charter of Fundamental Rights is open to question.

4.11. If the proposal were adopted as it stands, the regulation would force technology companies to monitor their platforms to use algorithms to detect child abuse.

4.12. While the aim is commendable, the EESC believes there is a risk of undermining respect for online private correspondence, the right to privacy and the protection of personal data, and that every effort must be made to avoid this.

4.13. The aim of the EESC is to safeguard the interests of all people, as some of them align with constitutional requirements, such as secrecy of correspondence and respect for privacy<sup>(16)</sup>.

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<sup>(14)</sup> Case C-362/14, paragraph 94.

<sup>(15)</sup> COM(2022) 212 final.

<sup>(16)</sup> La consitutionnalisation du droit au respect de la vie privée (available in French only).

4.14. It stresses that the prospect of an obligation to carry out a general sweep of hosting and communication services poses a risk to all technologies that preserve the secrecy of correspondence, starting with end-to-end encryption.

4.15. Indeed, the Commission acknowledges that finding exchanges where adults engage in grooming is 'generally speaking the most intrusive one for users' since it requires 'automatically scanning through texts in interpersonal communications'.

#### **5. The creation of a new European agency**

5.1. The proposed regulation provides for the creation of an independent European agency with a budget of EUR 26 million, based alongside Europol in The Hague, which will be responsible for analysing reports of illegal material, coordinating databases of fingerprints and illegal material and helping companies to identify reliable technologies.

It would also act as an intermediary between technology companies, law enforcement authorities and victims.

5.2. The EESC welcomes the fact that the agency's competences would be organised in two key areas: an operational hub and a research and analysis hub, as the combating of child pornography and paedophilia online calls for coordination of operations and analyses.

5.3. The operational aspect is fundamental and justifies close cooperation with Europol, whose effectiveness is no longer in question. The European and international scale of online sexual crime against children truly warrants its creation.

5.4. The EESC would welcome Eurojust's operational involvement in the structure envisaged by the Commission, as coordinated investigations mean coordinated judicial inquiries.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on the Proposal for a Directive of the European Parliament and of the Council amending Directive 2011/83/EU concerning financial services contracts concluded at a distance and repealing Directive 2002/65/EC**

[COM(2022) 204 final — 2022/0147 (COD)]

(2022/C 486/19)

Rapporteur: **Gonçalo LOBO XAVIER**

Referral	European Parliament, 18.5.2022 Council of the European Union, 23.5.2022
Legal basis	Article 114 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	8.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	229/0/3

## 1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the Commission's initiative to amend Directive 2011/83/EU concerning financial services contracts concluded at a distance and repeal Directive 2001/65/EC. The evolution of society and its behaviour, the new technical solutions that are emerging, and the strengthening of the single market as a mean to ensure the free movement of financial services and consumer protection rules require it. The COVID-19 crisis was an incredible test of EU resilience and has imposed new trends and ideas that must be addressed. The EESC also supports this proposal from this perspective.

1.2. Despite being in favour of the proposal, the EESC insists on the need to invest in peoples' digital and financial literacy in order to enable consumers to correctly understand their rights and duties relating to financial contracts concluded at a distance, particularly the right to withdrawal from a contract and the right to obtain more information in a pre-contractual phase. The Member States need to invest in a strategic communication programme in order to boost the potential of the single market, in line with fundamental consumer rights.

1.3. The EESC states that a balanced approach between the digital and the 'brick and mortar' experience is crucial. The EESC supports the advances brought about by technological innovation, but also highlights that human contact is still essential where clarification and data protection is involved. Bearing in mind that digitalisation and modernisation are very important when it comes to improving citizens' well-being, the EESC also states that there are still many differences between Member States and even between regions, with some asking for several pieces of 'physical' infrastructure to be maintained in order to support the local community. The EESC believes that involving local authorities in the decision-making processes of financial companies, particularly concerning the existence of physical infrastructure in rural areas, could help support local communities. The EESC calls for the right to ask for 'human intervention' in financial services at a distance to be guaranteed.

1.4. The EESC, and the civil society organisations that are represented within it, believe in the potential of the single market as a tool to strengthen the European project. Increasing confidence in our financial systems is a fundamental principle that supports society in the area of consumer financial services. In this connection, the EESC also draws attention to the need to invest in cybersecurity in a consistent way. Citizens must be aware of the risks associated with concluding contracts at a distance. More than that, however, they need to feel confidence in the system if we are to boost the single market and the free movement of financial services, which are becoming increasingly relevant, especially after the COVID-19 situation, and particularly with the development of e-commerce activities and digital services.



1.5. The EESC reminds the Commission of the need to harmonise this proposal with the Consumer Rights Directive. After so many achievements linked to the Consumer Rights Directive, and bearing in mind the launch of the New Consumer Agenda <sup>(1)</sup>, this particular dossier on financial services at a distance is the perfect moment to strengthen respect for consumer rights and boost companies' investments in this area. The EESC calls for civil society organisations to be involved in order to better prepare for and monitor the future implementation of the Directive. This is a good example of an area where civil society organisations can support and contribute to a better environment and help ensure a positive approach.

1.6. Artificial intelligence (AI) mechanisms can provide a safe and reliable environment for this proposal for a Directive. The EESC understands the power of innovation for society and advocates using all means possible to provide a safe and modern experience to consumers and companies in this particular area. The EESC has been working in this area and strongly recommends that AI be used to build a better, more integrated single market that supports citizens and ensures secure operations within the financial system <sup>(2)</sup>.

1.7. The EESC argues that, taking into consideration the objectives and principles of the single market, the EU can establish good practices regarding the regulation of financial services at a distance. This proposal addresses relevant measures for companies and consumers, but the EESC insists on the need to clarify the activities of companies based outside the EU, which can impact on European citizens. For the EESC, the need for harmonisation must also be addressed and respected accordingly.

1.8. The EESC calls for action regarding 'publicity rules and norms' linked to the sensitive process of delivering financial services at a distance. It is vital to harmonise rules governing the advertisement of these services in order to avoid unfair competition and undermine the system. Provided the message is strong, the results are expected to benefit companies and citizens, and have a positive impact on consumer behaviour, including with respect to sustainability. The EESC also insists that consumer organisations must be involved in order to allow for better dialogue between companies and citizens.

1.9. Finally, the EESC considers that, in order to better implement the Directive and truly benefit from its principles, investment in infrastructure is vital in order to achieve better results. Citizens can no doubt benefit from better and more transparent services, but in line with this is the need to have access to 5G, full network coverage and other infrastructural facilities in all areas, and this is far from being a general reality. The EESC calls for better and more efficient use of the financial resources under the Recovery and Resilient Facility in order to address these investments and ensure no one is left behind.

## 2. General comments

2.1. Directive 2002/65/EC on Distance Marketing of Consumer Financial Services (DMFSD) aims to ensure the free movement of financial services in the single market by harmonising certain consumer protection rules in this area, and to ensure a high level of consumer protection. It is important to highlight that there are already a number of recent directives and regulations establishing high standards of consumer protection, and the merit of the proposal for a new Directive is to provide a safety net in cases where this protection is, or might be, missing. Where there is no EU product-specific legislation or no EU horizontal rules covering the consumer financial service, the Directive shall apply horizontally to any present or future service of a banking, credit, insurance, personal pension, investment or payment nature contracted by means of communication at a distance (i.e., without the simultaneous physical presence of the trader and the consumer). The Directive sets out information to be provided to the consumer prior to the conclusion of the distance contract (pre-contractual information), grants the consumer a right of withdrawal for certain financial services, and establishes rules on unsolicited services and unsolicited communication.

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<sup>(1)</sup> OJ C 286, 16.7.2021, p. 45.

<sup>(2)</sup> OJ C 517, 22.12.2021, p. 61.

2.2. Over the past 20 years, the distance marketing of consumer financial services has changed rapidly. Financial service providers and consumers have abandoned the fax machine, and new players, such as fintech companies, with new business models and new distribution channels have emerged, e.g. financial services sold online.

2.3. The Commission's proposal aims to simplify and modernise the legislative framework by repealing the existing DMFSD, while including relevant aspects of consumer rights regarding financial services contracts concluded at a distance within the scope of the horizontally applicable Consumer Rights Directive.

2.4. The overall objective of the legislation remains unchanged, namely to promote the provision of financial services in the single market while ensuring a high level of consumer protection. This objective is obtained in five distinct ways:

- full harmonisation: the rules will be similar for all financial service providers and consumers will be guaranteed the same rights in all EU Member States;
- pre-contractual information: receiving key information in a timely manner and in a clear and comprehensible way, whether electronically or on paper, ensures the necessary transparency and empowers consumers. In this regard, the proposal aims at regulating what, how and when pre-contractual information is to be provided;
- right of withdrawal: the right of withdrawal is a basic consumer right. It is particularly important in the area of financial services since certain products and services are complex and might be difficult to understand;
- online fairness: financial services contracts are increasingly concluded electronically. This is why, in order to ensure a high level of consumer protection, the proposal sets out special rules to protect consumers when concluding contracts for financial services by electronic means; and
- enforcement: the proposal extends the rules on enforcement and penalties currently applicable in Directive 2011/83/EU on consumer rights ('the Consumer Rights Directive') to financial services contracts concluded at a distance.

### 3. Financial services and the single market

3.1. The EESC believes that the EU as a whole is facing serious challenges following the COVID-19 crisis, with Russian aggression in Ukraine and a financial crisis on the horizon. It is a fact that consumer confidence has been shaken. Furthermore, high levels of household debt is something to be addressed and is far from having been overcome. This must be taken into consideration in the context of all measures relating to financial policies. Consumers must have confidence in the system, and this is crucial in order to build trust and ensure the recovery of our economies and society.

3.2. The EESC agrees on the need for harmonisation. However, this cannot undermine or prejudice citizens. It is necessary to understand that not all citizens move at the same pace when it comes to digitalisation and this process should leave no one behind. The EESC believes that investment in financial literacy should be a priority that is closely aligned with the proposal.

3.3. It is important to ensure that data protection is at the heart of this process. European citizens must have the confidence to share data for legal and consumer rights purposes and this can only be achieved by having a strong and reliable system. Data protection is nowadays at the forefront of citizens' concerns, and cybersecurity is key to boosting the communication process where distance financial services are concerned.

3.4. Ensuring that this proposal is harmonised with the Consumer Rights Directive is vital. It is also crucial to ensure that the principles of the New Consumer Agenda <sup>(3)</sup> are at the heart of this concept. The EESC believes that organised civil society and the social partners can play a positive role in the process, primarily in helping citizens defend their rights, but also by creating a good atmosphere in which companies can compete and create better and clearer services for consumers.

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<sup>(3)</sup> OJ C 286, 16.7.2021, p. 45.

3.5. Artificial intelligence mechanisms are key to this proposal. They could facilitate consumer operations by facilitating processes and the associated requirements, especially for citizens who are less well prepared or 'digitalised'. The EESC calls for the clarification of and use of these tools in order to make the future implementation process more successful.

3.6. The EESC advocates ensuring a level playing-field in this area so that every player (company) can provide a reliable service to citizens. It is therefore essential to invest in transparency and in providing clear messages in order to avoid unfair competition from outside Europe, which risks undermining the positive impact envisaged in this proposal for a Directive.

#### **4. Impact on consumers and enterprises: online and offline operations**

4.1. Digitalisation is needed in order to boost competitiveness and facilitate people's lives. The EESC considers it essential to ensure everybody has the right conditions in which operate, with the same level of knowledge. However, this is far from being a reality.

4.2. The EESC calls for 'smart digitalisation', where technology is there to serve citizens, facilitate communication, and boost people's welfare. However, digitalisation in and of itself is not the solution to all problems and instead must be aligned with other priorities. People's level of knowledge regarding the use of technology is still very uneven across the EU, and investments must be made with this in mind. Finally, the EESC reminds the Commission that, while the use of technology is important, so too is the right to 'disconnect' and this must be taken into consideration in the policy-making process.

4.3. Financial companies must ensure that all changes are well perceived by the market. Communication is therefore essential in order to achieve results and lead the transformation process.

4.4. The EESC is undoubtedly in favour of technology and innovation that can provide a better consumer experience and facilitate citizens' lives. The evolution of consumer behaviour is an opportunity for positive change and offers a chance to boost more resilient and sustainable operations in the area of financial contracts concluded at a distance. For the EESC, the rules governing publicity must be clear and harmonised with other related operations that can impact on consumers. Consumer rights and obligations must be guaranteed.

4.5. The EESC believes that this proposal is in line with the European Charter of Fundamental Rights and therefore with the principle of proportionality with respect to the sanctions imposed on companies and consumers in this area. The EESC considers this a very positive point that must be highlighted. The EESC considers it to be a fundamental principle that the severity of sanctions should reflect the severity of the offence, in this case the infringement of consumer protection as defined under the proposal for a Directive.

4.6. For the EESC, the need to ensure a balanced approach regarding the right to ask for human support concerning financial contracts concluded at a distance is paramount. We still have a large portion of the population that requires this kind of support, and banks and institutions must be aware of these limitations. This must be addressed when institutions make decisions regarding investment and the maintenance of certain 'physical' services.

4.7. The EESC believes that not only banks but all financial institutions must invest in education and training systems in order to support their employees in providing customer support. Financial services at a distance are very important, but so too are the human resources that provide support in this area. Employees must have the right skills and training in order to guide customers. Finally, even when AI is used to support services, a 'human touch' is needed in order to interact with customers more effectively.

#### **5. Impact assessment — the role of civil society**

5.1. The EESC once again draws the attention of the Commission and the Member States to the opportunity to involve the social partners and organised civil society in the process of communicating on and implementing this Directive. Given not just their knowledge, but in particular their presence 'on the ground', civil society organisations can help ensure the right communication, for example in order to reach fundamental parts of society that live in rural areas or have difficulty accessing mass information channels. The civil society organisations that are represented at the EESC can support the correct implementation of the proposal in order to achieve better results and boost the involvement of citizens in the process.

## 6. Financial services and the Resilience and Recovery Facility — the way forward

6.1. The Recovery and Resilience Facility (RRF) is the main pillar of the European recovery plan, Next Generation EU, designed to provide financial aid to Member States in order to combat the economic and social effects of the COVID-19 pandemic and make the European economy more resistant to future shocks. The EESC also believes that, when it comes to improving the system, the Member States could make proper use of this mechanism in order to facilitate people's lives in this area.

6.2. The need to invest in digital and financial literacy in order to boost consumer education and protection is paramount. Developing the digital and financial capabilities of consumers is essential in order to achieve the objectives of the Digital Agenda, including the development of a performing market and increasing consumer protection. The EESC understands the value of data protection and supports the right of consumers to a full guarantee of this protection. The EESC is convinced that a balanced development of distance marketing of financial products can only succeed if the Member States allow enough resources to address such challenges and promote confidence in the online trade in financial services, and if they measure progress in this field and report to the Commission, which will assess the outcome and recommend best practices.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 and Regulation (EU) 2021/1060 as regards additional flexibility to address the consequences of the military aggression of the Russian Federation FAST (Flexible Assistance for Territories) — CARE**

(COM(2022) 325 final — 2022/0208 (COD))

(2022/C 486/20)

Rapporteur: **Elena-Alexandra CALISTRU**

Referral	European Parliament, 4.7.2022 Council of the European Union, 15.7.2022
Legal basis	Articles 177 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	9.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	189/0/1

## 1. Conclusions and recommendations

1.1. Through its FAST-CARE proposal, the Commission has taken much needed additional steps to help Member States, local authorities and civil society partners to address the consequences of Russia's aggression against Ukraine. The EESC warmly welcomes this new comprehensive package that extends the support already provided under CARE by providing further support and further flexibility within cohesion policy funding.

1.2. The EESC also recognises that the direct and indirect effects of the unprovoked invasion on 24 February have led to a continuing increase in the number of refugees arriving in all Member States, but in particular at the EU's borders, and that further action is therefore required. The current situation is unprecedented and requires all possible measures adapted to the situation to be applied in these specific circumstances. To this end, the EESC considers that FAST-CARE provides a response to these circumstances by offering additional funding for the migratory challenges resulting from the military aggression by Russia, but also by helping to mitigate the delayed implementation of projects due to the combined effects of COVID-19 and the high energy costs and shortage of raw materials and labour caused by the war.

1.3. The EESC has continuously stressed the need for an immediate and effective response through all means possible. The continued efforts to ensure flexibility for the funding should ensure the most efficient implementation of cohesion policy investments under the 2014-2020 MFF and also ensure a smooth start for the 2021-2027 programmes. The EESC welcomes the temporary possibility of 100 % co-financing from the EU budget for the implementation of cohesion policy programmes. The possibility of additional transfers between the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund, as well as between categories of regions, is also similarly welcomed.

1.4. The EESC strongly welcomes the Commission's recognition of the heavy burden that has fallen on local authorities and civil society organisations operating in local communities in addressing the migratory challenges resulting from Russia's military aggression. The EESC welcomes the provision that a minimum level of support of 30 % within the relevant priorities should be set aside for local authorities, social partners and civil society organisations in order to ensure that these types of beneficiaries receive an appropriate share of the resources given their active role in actions to welcome and

integrate refugees. However, this percentage might be too low for countries hosting a large number of refugees; thus, the possibility to increase this level for countries bordering Ukraine should be further explored.

1.5. The EESC believes that NGOs and the social partners have a crucial role to play, both as implementing organisations and as valuable partners in monitoring the implementation of such programmes, and the EESC is open to facilitating a further conversation about such engagement for civil society organisations and social partners either in the EU or in Ukraine. Civil society has proven its effectiveness in delivering an immediate response during the first stages of the war, and with sufficient resources will be a strong liaison between the grassroots needs and their high-level policy reflection. The EESC continues to seek a more thorough engagement in the immediate response and a better long-term inclusion in setting the integration agenda as the war continues.

1.6. The EESC welcomes the Commission's proposal to exempt Member States from the need to comply with thematic concentration requirements for the 2014-2020 Multiannual Financial Framework, allowing them the possibility to redirect funds between thematic objectives within the same priority of the same Fund and category of region, given the rapidly evolving changes in the situation on the ground. The EESC also welcomes the provision to allow exceptional expenditure for completed or fully implemented operations as from the date of the invasion to be eligible.

1.7. The EESC takes note of the mix of comprehensive measures that take into account the needs at micro/individual level (e.g. the extension in time and increase of the newly established unit cost allowed to cover the basic needs and support of persons granted temporary protection) as well as the needs at macro/Member State level (e.g. making it easier to phase operations from the 2014-2020 programmes to those of 2021-2027 to accommodate more operations facing delays, while not affecting Member States' obligations to comply with thematic concentration requirements and climate contribution targets).

1.8. The provisions aimed at alleviating the administrative burden for the Member States are also duly noted, as well as the commitments of the European Commission to help beneficiaries and stakeholders by offering additional support and guidance, for example in managing procurement contracts that suffer cost over-runs, and other non-legislative measures and guidance. The EESC urges the Commission to work with Member States, local authorities, and civil society to eliminate all possible unnecessary administrative burdens, while offering full transparency with regard to the allocation and execution of measures to tackle the consequences of the war in Ukraine. In this context, the EESC also stresses the need to more actively involve civil society and the social partners from the EU and Ukraine to ensure the effective planning, management and monitoring of the resources and to make sure that they reach those that need them the most, where they are needed the most.

1.9. The EESC acknowledges that all possible measures should be taken under the current Multiannual Financial Framework (MFF). In this context, the Committee agrees with the Commission's intention to amend the MFF Regulation so that the remaining 2014-2020 resources are optimised and allow a smooth transition to the 2021-2027 programme. However, it should be noted that although the EESC has always called for maximum flexibility<sup>(1)</sup> at all levels from the beginning until the closure of programmes in order to ensure that the available resources are used to the greatest extent possible, as the direct and indirect consequences of the war in Ukraine pile up, it feels that it may also be necessary to add new innovative financial tools<sup>(2)</sup>. One possible solution that the EESC has previously recommended is a separate European Union fund for the reconstruction and development of Ukraine to complement the efforts put in place to support the Member States affected by the war<sup>(3)</sup>.

<sup>(1)</sup> See EESC position paper on *COVID-19: European Structural and Investment Funds — Exceptional flexibility*.

<sup>(2)</sup> In its opinions, the EESC has continuously stressed the need to make sure that the 2021-2027 MFF offers the possibility of adding new innovative financial tools, going beyond the *Recovery and Resilience Facility (RRF)* (OJ C 364, 28.10.2020); *COVID-19: European Structural and Investment Funds — Exceptional flexibility; Regulation on Coronavirus Response Investment Initiative; Fund for European Aid to the Most Deprived (FEAD)/COVID-19 Crisis*.

<sup>(3)</sup> See the EESC opinion on the *8th Cohesion Report* (OJ C 323, 26.8.2022, p. 54).



1.10. The EESC calls on the Council and the European Parliament to swiftly approve the Regulation so that it can be adopted as soon as possible. The scale of the challenge requires a collective and more coordinated response, especially with the cold season fast approaching.

## 2. General comments

2.1. Since 24 February, the Commission has tabled a number of proposals, under Cohesion's Action for Refugees in Europe (CARE), to ensure that the funding available under the 2014-2020 cohesion policy and European Fund for the Most Deprived (FEAD), as well as pre-financing under REACT-EU programmes, is speedily mobilised to address the immediate consequences of the Russian war of aggression against Ukraine, while allowing Member States to continue their efforts to ensure a green, digital and resilient recovery of their economies from the crisis resulting from the COVID-19 pandemic.

2.2. However, as needs continue to grow, the European Council, the European Parliament and EU regions have called on the Commission to present new initiatives within the Multiannual Financial Framework to support the Member States' efforts in this regard. Support is now required for the longer term needs of displaced civilians, who should be helped to integrate through the provision of accommodation and healthcare, and access to employment and education while they are in EU member countries. It is worth noting that this issue of meeting the refugees' longer term needs affects communities that have already been severely impacted by the COVID-19 pandemic (e.g. the burden on the healthcare system) but also poses new problems such as gender-sensitive aspects of policy interventions (e.g. too few children being enrolled in schools, which is significantly hindering women's professional integration).

2.3. The war has caused supply chain bottlenecks and labour shortages. And it has exacerbated increases in commodity prices, including for energy and materials. This situation comes on top of the consequences of the pandemic, creating additional strain on public budgets and further delays to investments, especially in infrastructure.

2.4. The FAST-CARE package introduces several significant changes to the 2014-2020 and 2021-2027 cohesion policy legislation to further speed up and simplify Member States' support to the integration of third country nationals, while continuing to help regions' recovery from the COVID-19 pandemic.

2.5. More support for those welcoming displaced people — Member States, local authorities and civil society organisations is to be ensured through the following measures:

- pre-financing payments are increased by an additional EUR 3,5 billion to be paid in 2022 and 2023, which will provide rapid additional liquidity to all Member States;
- the possibility of 100 % co-financing by the EU under the 2014-2020 period is now extended to measures promoting the socio-economic integration of third country nationals;
- the same possibility is also extended to 2021-2027 programmes, to be reviewed by mid-2024;
- the amount of the simplified unit cost to cover the basic needs of refugees, which was set at EUR 40 under CARE, is to be increased to EUR 100 per week per person, and these costs can be claimed for a period of up to 26 weeks, from 13 weeks today;
- the cross-financing possibility already granted under CARE between the ERDF and the ESF will be extended. This means that the Cohesion Fund may now also mobilise resources to address the consequences of the migratory challenges;
- expenditure on operations addressing migratory challenges may now be declared retroactively for reimbursement, even when the operation has already been completed.

2.6. In order to ensure that investments go where they are most needed, FAST-CARE introduces two major changes:

- At least 30 % of the resources mobilised by the flexibilities provided should be granted to operations managed by local authorities and civil society organisations operating in local communities so that those bearing the brunt of the efforts receive adequate support.
- Programmes may support operations outside the programme's geographical scope, but within the Member State, recognising that refugees often move within Member States.



2.7. In terms of the practical support to solve the problem of delayed implementation, projects above EUR 1 million (especially those for infrastructure), supported under the 2014-2020 programmes but which could not be completed in time due to price increases and shortages of raw materials and labour, may continue to be supported under 2021-2027 programmes, even if they would not be eligible pursuant to the eligibility rules under 2021-2027.

### 3. Specific comments

3.1. The EESC commends the efforts by the European Commission to establish adjusted and efficient means of providing financial support that address the consequences of the Russian military aggression, which has grown in scope and whose impact has expanded. As a result, Member States are facing continuous substantial inflows of persons fleeing the Russian aggression. This situation comes on top of the consequences of the COVID-19 pandemic, notably the disruption of value chains, which challenges public budgets that were focused on the recovery of the economy, but also risks delaying investments, especially in infrastructure.

3.2. The EESC also recognises that, as the direct and indirect effects of the war in Ukraine continue to increase in all Member States, it is crucial to ensure the means to address migratory challenges and market disruptions through a mix of funding, procedures and technical assistance, all coupled with flexibility, agility, and rapid reaction.

3.3. The EESC fully agrees that financing must be made available by means of a targeted revision of the current financial framework, in order to prevent any interruption to the funding needed for the key measures to mitigate the crisis and support those in need. The EESC has already recommended in previous opinions <sup>(4)</sup> that additional resources be allocated to the Member States as immediate pre-financing.

3.4. The EESC welcomes the fact that the possibility of making use of up to 100 % co-financing was extended for these measures to the accounting year ending on 30 June 2022 in order to help alleviate the burden on Member States' public finances, and the fact that the substantial increase in pre-financing <sup>(5)</sup> from REACT-EU resources has provided the Member States with the liquidity needed to cover the most pressing needs.

3.5. The EESC is also pleased that the Commission has proposed that a co-financing rate of up to 100 % should be introduced for priorities promoting the socio-economic integration of third country nationals under the 2021-2027 programmes. Even though this has an end date of 30 June 2024, the possibility of having it reviewed on the basis of how it has been used and extended if proven efficient offers a roadmap towards more flexibility and liquidity being made available when urgent funding needs appear.

3.6. The EESC strongly praises the provision that at least 30 % of the support within the relevant priorities should be granted to beneficiaries that are local authorities, social partners and civil society organisations operating in local communities, in order to ensure that these types of beneficiaries receive an appropriate share of such resources given their active role in actions to welcome and integrate refugees. Nonetheless, the percentage might be too low for countries bordering Ukraine that are hosting a significantly higher number of refugees. Therefore, even though the level is a minimum, a larger allocation should be encouraged, with at least 50 % of the support within the given priority to be granted to beneficiaries that are local authorities and civil society organisations operating in local communities.

3.7. The EESC understands the need to preserve the original objectives of cohesion policy and the fact that it cannot become a universal 'band aid' for all emergencies that might arise. To this end, the provisions limiting the total amount programmed under refugee-integration priorities in a Member State to 5 % of the initial national allocation of that Member State from the ERDF and the ESF+ combined are understandable. However, these thresholds should be made subject to an earlier review in order to leave sufficient space available if need be, especially for bordering countries. It is clear to see that the challenges for countries hosting the large majority of refugees fleeing Ukraine are bigger than for other EU Member States. Thus, the percentage limits should take into account the realities on the ground and the disparities between the challenges facing the different Member States.

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<sup>(4)</sup> EESC position paper on REACT-EU.

<sup>(5)</sup> The EESC has been consistent in its previous opinions that the percentage increase in advance payments or pre-financing is to be welcomed, but that more should be done to ensure that the financial resources are mobilised as quickly as possible. As mentioned in the EESC position paper on *Financial assistance to Member States affected by a major public health emergency*.

3.8. The EESC urges the European Commission to work closely with the Member States, local authorities and civil society organisations to make the most effective and rapid use of the possibilities to support Ukrainian refugees created by FAST-CARE. While the Regulation asks the Member States to report on the fulfilment of the 30 % condition in the final implementation report, the EESC would call for continuous reporting, as well as the involvement of civil society in monitoring the implementation of these provisions.

3.9. The above considerations also apply to the planning, implementation and monitoring of programmes linked to implementing cohesion policy and to the process of selecting projects to be implemented. In this context, attention should be paid to the risk of transforming cohesion policy into a set of fragmented responses to emergencies that have shaken up our continent.

3.10. Creating a clear synergy between the cohesion principles and the policy's core objectives and the new social, economic, and environmental realities concerning shortages of labour, supply chain difficulties and rising prices and energy costs should be a key concern as regards delivering a proper absorption rate that reflects the most effective use of existing resources.

4. The EESC takes note of the Commission's choice not to extend by an additional year the n+3 rule for 2014-2020, as well as of its evaluation that, regardless of the frontloading of payment appropriations for 2022 and 2023 (mostly due to pre-financing), FAST-CARE is budget-neutral over the 2021-2027 period and does not require changes to the Multiannual Financial Framework annual ceilings for commitments and payments. However, the EESC strongly encourages the Commission to monitor the impact of the changes and leave room for emerging or expanding needs or priorities.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on a Decent work worldwide**

[COM(2022) 66 final]

(2022/C 486/21)

Rapporteur: **Maria del Carmen BARRERA CHAMORRO**

Referral	European Commission, 2.5.2022
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Employment, Social Affairs and Citizenship
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Adopted at plenary	22.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	132/23/33

**1. Conclusions and recommendations**

1.1 The EESC underlines the importance of the Commission establishing a strategy to promote decent work not only within the EU but throughout the world. The EESC points out that, as well as the proposal for a directive on corporate sustainability due diligence, the Commission has published a communication on decent work worldwide for a just transition and a sustainable recovery, which reaffirms the EU's commitment to defending decent work more effectively through regulations, trade and investment policies, and an instrument banning products that are made through forced labour from entering the European Union, including those made outside the internal market. The EESC welcomes the fact that the new framework combines the ban with a system of enforcement guarantees based on international standards and due diligence and transparency obligations. However, it believes that the Commission should carry out an assessment on its economic, social and environmental impact, especially with regard to SMEs.

1.2 The EESC notes that, despite improvements, decent work is still not a reality for many people around the world. In these worrying cases the Commission notes that the COVID-19 pandemic, changes to the working world, technological advances, climate change, demographic changes and globalisation are subjecting businesses to serious challenges. These challenges can also have a negative impact on effectively enforcing labour and social protection standards for workers around the world. The EESC is convinced that the EU must continue to strengthen its role as a socially responsible leader in the world by using and developing all available instruments — including legislative instruments. Like the Commission, the EESC notes that consumers are increasingly demanding more **goods and services** produced and provided in an **inclusive**, sustainable and fair way, guaranteeing decent work both for the people who produce and provide them and for those working in the informal economy.

1.3 The EESC welcomes the fact that the Communication, adopted by the Commission to promote decent work in all sectors and fields of action, offers a global approach aimed at all workers in national markets, in non-EU countries and in global supply chains. The EESC emphasises that the EU must use all its policies, both internal and external (including trade policy), to promote and ensure decent work worldwide, placing this objective at the core of a sustainable and inclusive recovery and of the digital transition.

1.4 The EESC welcomes the fact that the EU is proposing a global package of actions and instruments that help promote the **four pillars** of the universal concept of decent work developed by the **ILO Declaration on Social Justice for a Fair Globalisation of 2008**, amended in 2022, and reflected in the SDGs: promoting employment, standards that guarantee labour rights (including eliminating forced and child labour), adequate social protection, and social dialogue and tripartism, with a cross-cutting gender equality objective.

1.5 The EESC urges the Commission to develop specific aspects of the principle of decent work that today have a particular social and economic value. As an example, the EESC highlights the fight against the risk of excluding the most vulnerable populations such as persons with disabilities in the labour market, occupational health and safety and the sustainable nature of employment in the green transition, as well as gender equality and non-discrimination (promoting a gender-equality perspective in the decent work goal). All of these are cross-cutting objectives of the ILO and the 2030 Agenda. **In this context, the EESC welcomes the amendment of the ILO Declaration on Fundamental Principles and Rights at Work to include the right to a safe and healthy work environment.**

1.6 The EESC appreciates that the Commission Communication proposes both strengthening compliance with existing instruments and adopting future instruments, including regulatory instruments, **in the four pillars of the Decent Work Agenda**. In the first, that of EU policies with scope outside the EU, the EESC welcomes the EU's promotion of pioneering standards on a global scale in favour of social responsibility, transparency and the sustainability of business activity. The EESC also welcomes the fact that the European Parliament has adopted a Resolution on a new trade instrument to ban products made through forced labour<sup>(1)</sup>.

1.7 As part of its fair and sustainable economy package, the Commission also presented a proposal for a corporate sustainability due diligence directive (see opinion INT/973). The EESC considers this proposal an important step in promoting respect for human rights as an obligation for businesses and directors. However, the EESC believes that this proposal still presents many shortcomings (for example, limited individual application, as it only directly applies to large companies and only indirectly to SMEs; low employee representation) and unclear legal concepts (such as the 'established' business relations requirement) that present a danger of being applied in different ways by national authorities and courts, creating legal uncertainties for both workers and companies. Consequently, the EESC calls for a balanced dialogue process between the Commission, the Parliament and the Council to correct these shortcomings and to improve the effectiveness of the regulatory instrument that is ultimately approved.

1.8 The EESC takes note of the difficulties that a number of companies are facing to monitor their entire value chain and ensure decent work. However, it considers that the way to achieve this should not be to reduce the guarantees for this purpose, because this weakens the effectiveness of the measure, creates legal uncertainties for companies and opens the door to unfair competition. Instead, the EESC is convinced that the appropriate way to address these global monitoring difficulties without generating the above-mentioned negative effects is to establish adequate support and collaboration instruments to guarantee the effectiveness of the proposed instruments. To this end and in addition to the public support and guidance instruments, channels for worker representative involvement throughout the value chain and in social dialogue, at various corresponding levels, can play a crucial role. The EESC is convinced that the improved effectiveness of due diligence governance throughout the value chain (facilitating the work of businesses) is a powerful reason to recognise and ensure the involvement of worker representatives.

1.9 With regard to the EU's bilateral and regional relations, the EESC particularly appreciates the EU's proposal to use trade policy as an instrument to incite third-country companies to comply with international labour standards, promoting decent work in all companies and countries — including neighbouring countries. In this regard, the EESC highlights the proposal to reform the EU Trade Preferences Regulation. The EESC emphasises that one of its objectives is to facilitate imports from countries whose companies respect **social, labour and environmental** requirements, including decent work. The EESC is convinced that this will improve the global competitiveness model, which is based not only on social justice but also on fair competition between all companies.

1.10 The EESC supports the EU's decision to actively engage in reforming the World Trade Organization (WTO) in order to integrate the social dimension into global economic growth in the light of the enormous challenges it is facing (the digital and green transitions, ageing, the prevention of future pandemics, etc.). Optimising growth, competitiveness and profits in terms of generating more wealth, employment and well-being means establishing just transition frameworks and policies, which include ensuring and promoting decent and sustainable work in the world, with a just transition based on social dialogue, as has been achieved in the past.

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<sup>(1)</sup> [https://www.europarl.europa.eu/doceo/document/TA-9-2022-0245\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2022-0245_EN.html)

1.11 The EESC welcomes the proposal to include mechanisms to assess and monitor the degree of compliance with the Due Diligence Directive. However, notes with concern that these mechanisms do not provide for social dialogue with social partners. The EESC therefore calls on the Commission to clearly provide for such mechanisms in the proposed legislative text.

1.12 Additionally, the EESC calls for both EU support for a binding UN treaty on business and human rights, and an ILO convention on decent work in supply chains.

## 2. Introduction and background

2.1 Ensuring and promoting decent work and social justice are at the core of the regulatory frameworks and policies agreed tripartitely by the ILO Decent Work Agenda, the ILO Declaration on Fundamental Principles and Rights at Work (adopted in 1998 and amended in 2022), and reiterated in the ILO Centenary Declaration for the Future of Work of 2019. Likewise, ensuring that decent work becomes the norm throughout the world is essential to the commitments adopted by the entire international community under the Sustainable Development Goals (SDGs) of the 2030 Agenda and especially, but not limited to, goal number 8. This goal promotes sustained, inclusive and sustainable economic growth that generates productive employment and decent work for all.

2.2 The EESC shares the Commission's view that this strategy of defending and promoting decent work worldwide is not only appropriate, but also necessary within the sustainable recovery model established and financed as part of NextGenerationEU. The figures provided by the Commission and the ILO have highlighted the fact that, despite improvements, decent work is still not a reality for many people around the world. According to ILO estimates, 4 billion people do not have access to social protection and 205 million are out of work. One in ten children worldwide (160 million) is engaged in child labour, and 25 million people are in a situation of forced labour. On average, almost one in four victims of forced labour is exploited outside their country of origin, with marked differences depending on their situation. Additionally, although health and safety at work is a fundamental aspect of decent work, according to the ILO more than five workers die every minute somewhere in the world due to an accident at work or due to occupational disease.

2.3 The EESC welcomes the fact that the EU has decided to provide a new impetus for an economic recovery model that reconciles wealth creation with job opportunities around the world, ensuring and promoting respect for human rights, decent work and environmental protection. The Joint Communication to the European Parliament and the Council on strengthening the EU's contribution to rules-based multilateralism noted the difficulties in making progress on these objectives in the wake of the pandemic, which affected people, companies and States alike. Consequently and to move matters forward, it proposed regulations, policies and investments that ensure and promote a digital, green and inclusive economic recovery.

2.4 Within this context, the Commission presented: (1) a Communication to the European Parliament, the Council and the European Economic and Social Committee on decent work worldwide for a global just transition and a sustainable recovery [COM(2022) 66 final of 23 February 2022], and (2) a proposal for a directive on corporate sustainability due diligence, the subject of a separate EESC opinion (INT 973), which is still in the pipelines.

2.5 The EESC has already stated that businesses are increasingly operating across borders. Multinational companies, with their global supply chains, are the main players, and small and medium-sized enterprises (SMEs) represent an increasing number of them. The EESC has been proposing policy and regulatory initiatives to improve sustainability, ensure respect for human rights and promote decent work in company value chains <sup>(2)</sup>.

2.6 The EESC recognises the importance of instruments that are based on corporate social responsibility (CSR) for achieving just development, as CSR incentivises positive behavioural changes towards environmental and social sustainability. However, the EESC also advised of a need for improvement. The EESC therefore calls on the EU and its Member States to ensure a more efficient implementation of existing international instruments for sustainable, just and resilient post-COVID-19 growth and recovery, with decent work at their core. The EESC has called for both EU support for a binding UN treaty on business and human rights <sup>(3)</sup>, and an ILO convention on decent work in supply chains. The EESC

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<sup>(2)</sup> EESC opinion on *Sustainable supply chains and decent work in international trade*, 2020/02161 (OJ C 429, 11.12.2020, p. 197).

<sup>(3)</sup> The EESC already addressed this issue in detail in opinion on *Binding UN treaty on business and human rights* (OJ C 97, 24.3.2020, p. 9).

has also expressed its support for an effective and coherent mandatory EU framework on due diligence and corporate responsibility based on social dialogue with social partners and with a multi-stakeholder approach.

2.7 The EESC recognises the benefits of a harmonised EU regulatory framework on due diligence and sustainability. Among other advantages, it requires fair competition from all companies, including from non-EU countries operating in the EU, as they are subject to equal conditions and offer greater legal certainty. Such a harmonised regulatory framework will make it easier for companies and workers to transition to a climate-neutral economy under labour and social justice conditions for all global chains. The EESC therefore calls for a coherent and balanced EU regulatory framework on corporate due diligence that is efficient and proportioned.

2.8 The EESC is fully aware of the urgent need to implement a post-pandemic financial recovery mechanism in all Member States and support all post-pandemic recovery processes globally, as well as to support the various transitions towards a green (carbon-neutral and circular) and innovative (digital) economy under comprehensive sustainability conditions and social and environmental conditions, through social dialogue with social partners and tripartite governance models. This is what the EESC hopes to see in the new communication and recommendation on the future of social dialogue.

2.9 The EESC takes note of the investigations carried out by international human rights observers, including the International Labour Organization, the Council of Europe and the International Trade Union Confederation (Global rights index), which confirm that the lack of human rights guarantees (including for individual and collective workers' rights), and environmental non-compliance continue to increase globally. The pandemic has only aggravated the situation in numerous countries around the world where precarious and abusive living conditions have worsened. Child labour and forced labour have also increased.

2.10 The EESC recognises that current scientific evidence shows that companies are increasingly incorporating management systems based on CSR and developing their business models in line with the UN 2030 Agenda and the SDGs. However, like the Commission, the EESC believes there is room for improvement. Furthermore, progress has not only been slower but also very uneven. The EESC is convinced that the move towards harmonised EU regulatory frameworks, complemented with technical support and practical guidance from the Commission, is positive, in particular for SMEs. This way commitments will be more effective and will benefit companies operating in the EU market, affording them greater legal certainty and a level playing field.

### 3. Main actions proposed by the Commission to promote decent work

3.1 Monitoring progress towards decent work has been a long-standing concern for the ILO, who has been promoting indicators to measure this real progress. The EESC considers this to be important because the Commission already issued a communication on this some years ago<sup>(4)</sup>. The EESC urges the Commission to better implement an ambitious and innovative agenda and to effectively ensure that this progress links competitiveness with social justice. The EESC also stresses that decent work is not only a matter of employment and social protection, but also of governance, which must include social dialogue with social partners at all levels of global chains and at all stages of production processes.

3.2 The EESC welcomes the fact that the EU is continuing to move forward with its own agenda building a working community that is conducive to actually achieving all the elements that make up the ILO's universal decent work concept, and also welcomes the fact that it is more than just a formal declaration. This is consistent with the inclusion of all the components of international standards on decent work in the ILO Declaration on Fundamental Principles and Rights at Work of 1998<sup>(5)</sup>.

3.3 The EESC finds it **unacceptable** that decent work is still a far-off reality for hundreds of millions of people around the world, making it difficult for the international community to achieve the SDGs set out in the UN's 2030 Agenda. While the SDGs are embedded in the decent work concept, the recent crises, together with the colossal economic and social challenges of our time, threaten the concept of decent work for all on a daily basis (SDG 8 **and others related**).

<sup>(4)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52006DC0249>

<sup>(5)</sup> [www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62\\_LIST\\_ENTRIE\\_ID:2453911:NO](http://www.ilo.org/dyn/normlex/en/f?p=1000:62:0::NO:62:P62_LIST_ENTRIE_ID:2453911:NO).



3.4 Eliminating child and forced labour is at the heart of these efforts. The number of minors in child labour situations increased by more than eight million between 2016 and 2020, reversing the previous downward trend. The EESC welcomes the Commission's proposal to develop new and more effective legal and non-legal measures in the zero tolerance for child labour policy, including a ban on products made or distributed through forced or child labour from entering the EU market. In this regard, the EESC considers it necessary to complement the new framework with an economic, social and environmental impact assessment of various legislative and non-legislative measures. The EESC also calls for stepping up the EU's new trade policy as one of the drivers of economic growth, in a way that fulfils the commitment to respecting international human rights, its instruments and the fight against child and forced labour throughout the supply chain. In this way, the new measures will be harmonised with a model of economic recovery and global and inclusive competitiveness.

3.5 The EESC welcomes both the proposal for a directive on mandatory due diligence, and new legal safeguards for a more efficient fight against forced and child labour in the whole global value chain. The EESC agrees with the Commission's view that the authorities alone are not able to win the battle against forced labour. The EESC also welcomes the fact that the European Parliament has adopted a Resolution on a new trade instrument to ban products made through forced labour<sup>(6)</sup>. Many private companies are already committed to these objectives, but they must go further, in line with the proposal for a directive on corporate sustainability reporting, which should promote the efficiency of this coherent EU framework and ensure it is proportionate in order to improve competitiveness.

3.6 The EESC welcomes the fact that the European Commission is bolstering use of a **coherent EU legal** framework and the socially responsible public procurement policy as powerful tools for fighting for decent work and against forced and child labour. However, the EESC believes that the regulatory framework needs to be more effectively implemented in order to make progress in this direction, in a way that would increase the actual effectiveness of the social and environmental clauses, both in internal public procurement and in fair trade.

3.7 The EESC appreciates the proposal for a new EU regulation on the Generalised Scheme of Preferences (GSP regulation) to promote sustainable development in low-income countries for 2024-2034. The EESC welcomes the fact that the new GSP increases the EU's opportunities to use trade preferences to create economic opportunities and promote sustainable development under the decent work standard. The incorporation of governance agreements, such as that on tripartite consultation, will improve the role of social dialogue with the social partners.

3.8 The EESC takes note of the commitment, within the scope of action 2, to treat decent work as a priority of the new NDICI — Global Europe<sup>(7)</sup>. This programme on human rights and democracy provides for specific actions to promote decent work for all, particularly at national and regional levels, including the fight against forced and child labour. The EESC welcomes the fact that the new NDICI-GE actions include promoting social dialogue and affording social partners greater autonomy, as well as communication with partner countries which helps to ratify and effectively implement the updated ILO conventions, in particular the fundamental and governance conventions.

#### 4. General comments

4.1 The EESC shares the ILO's concern that the companies and workers most affected by the series of crises that started in 2008 benefit less from improved conditions, both economic and technological, as recovery efforts favour certain economic and labour market sectors, while others are left behind.

4.2 The EESC reiterates that, in order to respect human dignity, decent work worldwide needs to be protected, and for this reason considers this proposal an important step towards respecting and promoting human rights in business, and hopes that this translates to a significant boost to keep moving forward.

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<sup>(6)</sup> [https://www.europarl.europa.eu/doceo/document/TA-9-2022-0245\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2022-0245_EN.html)

<sup>(7)</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32021R0947>



4.3 However, the EESC believes that there are still many shortcomings and unclear legal concepts that are open to interpretation, which are in danger of being applied in different ways by national authorities and courts, and which create legal uncertainties for both workers and companies. For example, the use of vague concepts such as 'established business relationship' or mere 'contractual assurances of compliance with the codes of conduct' jeopardises the effectiveness of the directive. The EESC proposes that the Commission vigorously clarify these legal concepts, including the shortcomings in the envisaged civil liability regime on one hand, and on the other, that the Commission include ways of representing company trade unions at the appropriate level to make compliance more effective.

4.4 The EESC takes note of the stakeholder-involvement approach that forms the basis for the whole proposal. Effective trade union and worker representative involvement is a success factor. However, the Committee regrets that this is not sufficiently reflected in the proposal. The EESC believes that this kind of protection gap, due to its collective impact, is detrimental both to workers and companies. In this context, the existing involvement of organised workers' representatives, for example based on the work of European Works Councils (EWCs) or on IFAs (International Framework Agreements), should offer the new regulatory framework adequate guidance and support.

4.5 The EESC welcomes the comprehensive approach to decent work adopted by the Commission Communication. The approach takes account of consumers' desire to favour models of production and distribution of goods and services that are more respectful of social and environmental sustainability conditions. The Commission has found that the majority of consumers prefer modes of consumption, including in electronic commerce, that give preference to products that respect decent work and environmental balance. Consequently, the EESC calls for this socially responsible role of consumers to be promoted through better information and training, in order to improve the effectiveness of the measures proposed by the Commission to guarantee and promote decent work in the world.

4.6 The EESC appreciates that the European Commission has accepted the European Parliament's request to present a proposal for a directive on corporate sustainability due diligence (INT/973). The EESC notes that the Commission's proposal restricts the number of companies included in the proposal for a directive, thereby limiting the scope of the European Parliament's request. The EESC calls for a process of dialogue between the three European institutions to reach agreement on this coherent EU regulatory framework, including appropriately broadening the scope of the future directive, which will improve its effectiveness, including in terms of fair competition between all companies, and to solve some of the regulatory shortcomings presented by the proposed text in order to give companies greater legal certainty.

## 5. Specific comments

5.1 The EESC takes note of the Commission's proposed efforts in the EU to use each and every instrument, policy and resource within its competence (public procurement, trade agreements, development policy, investment policy, funds, etc.) to promote decent work worldwide. In particular, the EESC calls for better developing and implementing the toolbox to ensure and promote decent working conditions **and to ratify international labour standards**, including the reforms needed to support economic recovery, the competitiveness of European businesses, and their ability to create decent jobs worldwide.

5.2 The EESC notes that the proposal for a directive on corporate sustainability due diligence highly values CSR techniques, such as unilateral codes of conduct. These instruments do not take into account the workers' position. The EESC considers it appropriate to also include collective governance techniques to promote useful channels for worker representative involvement in creating and monitoring decent work commitments throughout the value chain. As exemplified in point 4.4, the international framework agreements (IFAs) should offer adequate guidance and support.

5.3 The EESC agrees with the Commission on the need for more and better measures to effectively combat forced labour. To this end, the EESC supports the Commission implementing, as soon as possible, a ban on products (both domestic and imported) that have been made through forced labour, including child labour, being placed on the EU market. At the same time, the EESC recommends an analysis of the various measures and a full assessment of the economic, social and environmental impacts of the different scenarios. This ban needs to be consistent with both fair trade conditions and the EU's commitments to the common trade policy and Europe's global competitiveness.

5.4 The EESC agrees with the Commission that additional measures are necessary to effectively combat child labour, given the great complexity of the factors that cause it (including financial difficulties, the lack of better education opportunities, local customs on the role of children in society, etc.). At the same time, the EESC calls for the consistent application and enforcement of existing international tools. Hence, in order to eradicate child labour, there is a need for a

comprehensive (holistic) sustainable economic development approach, based on the decent work standard: resources for quality education, income and adequate social protection for all.

5.5 The EESC also attaches particular importance to revising the EU Directive on preventing and combating trafficking in human beings<sup>(8)</sup>, which requires Member States to prohibit it by law, with the added aim of protecting against forced labour (which disproportionately affects women and girls — and in particular immigrants — among other vulnerable populations). The EESC has already welcomed the comprehensive and integrated approach to the protection of victims of human trafficking<sup>(9)</sup>.

5.6 The EESC notes the relevance of the proposal for a regulation of the European Parliament and of the Council on European green bonds [COM/2021/391 final], aiming to better exploit the potential of the single market and the Capital Markets Union to contribute to meeting the Union's climate and environmental objectives in accordance with Article 2(1)c of the 2016 Paris Agreement on climate change and the European Green Deal. The EESC from the start has argued that the Green Deal can and will only be successful if it is also a social deal calling for the concept of 'social investment' to be defined more precisely in order to offer greater legal certainty to markets and companies<sup>(10)</sup>.

5.7 The EESC supports the Commission's work towards a new EU regulation on the Generalised System of Preferences (GSP regulation) for 2024-2034. The EESC notes that the Commission has increased its support for promoting compliance with international labour standards in GSP beneficiary countries by adding two new conventions on labour rights (ILO Convention 81 on Labour Inspection and Convention 144 on Tripartite Consultation) and recognises that the export of goods made through child and forced labour is a cause for withdrawing trade preferences. **The EESC recommends that the draft GSP regulation for 2024-2034 include the 1998 ILO Declaration and its 2022 amendment.**

5.8 In addition, the EESC welcomes the Commission's intention to support WTO reform in order to continue contributing to sustainable development, integrate the social dimension of globalisation and foster agreements in the WTO that promote decent work and social justice. The EESC hopes that the proper balance between social objectives and those of improving world economic competitiveness will be achieved in the open negotiation processes.

5.9 The EESC values the proposal for the inclusion of mechanisms to assess and monitor the degree of compliance with the Due Diligence Directive, including a European Network of Supervisory Authorities to assist in its implementation. However, the EESC notes with concern that, firstly, the mandate (jurisdiction) of this supervisory body is not clearly defined and, secondly, that these mechanisms do not provide for social dialogue with the social partners. The EESC therefore calls on the Commission to clearly provide for such mechanisms in the proposed legislative text.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(8)</sup> Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA (OJ L 101, 15.4.2011, p. 1).

<sup>(9)</sup> OJ C 51, 17.2.2011, p. 50.

<sup>(10)</sup> The EESC is in the process of drafting an own-initiative opinion on the subject: ECO/581 *Social taxonomy — Challenges and opportunities* (see page 15 of this Official Journal).

## ANNEX

The following amendments, which received at least a quarter of the votes cast, were rejected during the discussion (Rule 43 (2) of the Rules of Procedure):

**AMENDMENT 3**

SOC/727

**Decent work worldwide****Point 2.6****Amend as follows:****Tabled by:**

BLIJLEVENS René

GERSTEIN Antje Sabine

KONTKANEN Mira-Maria

MINCHEVA Mariya

MURESAN Marinel Dănuț

POTTIER Jean-Michel

Section opinion	Amendment
<p>The EESC recognises the importance of instruments that are based on corporate social responsibility (CSR) for achieving just development, as CSR incentivises positive behavioural changes towards environmental and social sustainability. However, the EESC also advised of a need for improvement. The EESC therefore calls on the EU and its Member States to ensure a more efficient implementation of existing international instruments for sustainable, just and resilient post-COVID-19 growth and recovery, with decent work at their core. The EESC has called for both EU support for a binding UN treaty on business and human rights <sup>(1)</sup>, and <b>an ILO convention</b> on decent work in supply chains. The EESC has also expressed its support for an effective and coherent mandatory EU framework on due diligence and corporate responsibility based on social dialogue with social partners and with a multi-stakeholder approach.</p> <p><sup>(1)</sup> The EESC already addressed this issue in detail in opinion REX/518 Binding UN treaty on business and human rights: <a href="https://webapi2016.EESC.europa.eu/v1/documents/eesc-2019-01278-00-01-ac-tra-en.docx/content">https://webapi2016.EESC.europa.eu/v1/documents/eesc-2019-01278-00-01-ac-tra-en.docx/content</a></p>	<p>The EESC recognises the importance of instruments that are based on corporate social responsibility (CSR) for achieving just development, as CSR incentivises positive behavioural changes towards environmental and social sustainability. However, the EESC also advised of a need for improvement. The EESC therefore calls on the EU and its Member States to ensure a more efficient implementation of existing international instruments for sustainable, just and resilient post-COVID-19 growth and recovery, with decent work at their core. The EESC has called for both EU support for a binding UN treaty on business and human rights <sup>(1)</sup>, and <b>for ILO exploring the development and future adoption of any relevant and suitable instruments</b> <sup>(2)</sup> on decent work in supply chains. The EESC has also expressed its support for an effective and coherent mandatory EU framework on due diligence and corporate responsibility based on social dialogue with social partners and with a multi-stakeholder approach.</p> <p><sup>(1)</sup> The EESC already addressed this issue in detail in opinion REX/518 Binding UN treaty on business and human rights: <a href="https://webapi2016.EESC.europa.eu/v1/documents/eesc-2019-01278-00-01-ac-tra-en.docx/content">https://webapi2016.EESC.europa.eu/v1/documents/eesc-2019-01278-00-01-ac-tra-en.docx/content</a></p> <p><sup>(2)</sup> <b>REX/462 Decent work in global supply chains, point 1.9</b> <a href="https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/decent-work-global-supply-chains-own-initiative-opinion">https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/decent-work-global-supply-chains-own-initiative-opinion</a></p>

**Outcome of the vote:**

In favour: 65

Against: 97

Abstention: 13

**AMENDMENT 4**

SOC/727

**Decent work worldwide****Point 2.7****Amend as follows:****Tabled by:**

BLIJLEVENS René

GERSTEIN Antje Sabine

KONTKANEN Mira-Maria

MINCHEVA Mariya

MURESAN Marinel Dănuț

POTTIER Jean-Michel

Section opinion	Amendment
<p>The EESC recognises the benefits of a harmonised EU regulatory framework on due diligence and sustainability. Among other advantages, it requires fair competition from all companies, including from non-EU countries operating in the EU, as they are subject to equal conditions and offer greater legal certainty. Such a harmonised regulatory framework will make it easier for companies and workers to transition to a climate-neutral economy under labour and social justice conditions for all global chains. The EESC therefore calls for a coherent and balanced EU regulatory framework on corporate due diligence that is efficient and proportioned.</p>	<p>The EESC recognises the benefits of a harmonised EU regulatory framework on due diligence and sustainability. Among other advantages, it requires fair competition from all companies <b><i>within its scope of application</i></b>, including from non-EU countries operating in the EU, as they are subject to equal conditions and offer greater legal certainty. Such a harmonised regulatory framework will make it easier for companies and workers to transition to a climate-neutral economy under labour and social justice conditions for all global chains. The EESC therefore calls for a coherent and balanced EU regulatory framework on corporate due diligence that is efficient and proportioned.</p>

**Outcome of the vote:**

In favour: 73

Against: 100

Abstention: 14

**AMENDMENT 5**

SOC/727

**Decent work worldwide****Point 4.6****Amend as follows:****Tabled by:**

BLIJLEVENS René

GERSTEIN Antje Sabine

KONTKANEN Mira-Maria

MINCHEVA Mariya

MURESAN Marinel Dănuț

POTTIER Jean-Michel

Section opinion	Amendment
<p>The EESC appreciates that the European Commission has accepted the European Parliament's request to present a proposal for a directive on corporate sustainability due diligence (INT/973). The EESC notes that the Commission's proposal restricts the number of companies included in the proposal for a directive, thereby limiting the scope of the European Parliament's request. The EESC calls for a process of dialogue between the three European institutions to reach agreement on this coherent EU regulatory framework, including <b>appropriately broadening the scope of the future directive</b>, which will improve its effectiveness, including in terms of fair competition between all companies, and to solve some of the regulatory shortcomings presented by the proposed text in order to give companies greater legal certainty.</p>	<p>The EESC appreciates that the European Commission has accepted the European Parliament's request to present a proposal for a directive on corporate sustainability due diligence (INT/973). The EESC notes that the Commission's proposal restricts the number of companies included in the proposal for a directive, thereby limiting the scope of the European Parliament's request. The EESC calls for a process of dialogue between the three European institutions to reach agreement on this coherent EU regulatory framework, including <b>policy-makers keeping the challenging MSMEs' position in mind and ensure that support tools are ready at the European and national levels once the due diligence legislation enters into force</b> <sup>(1)</sup>, which will improve its effectiveness, including in terms of fair competition between all companies <b>within the scope of the future Directive</b>, and to solve some of the regulatory shortcomings presented by the proposed text in order to give companies greater legal certainty.</p> <p><sup>(1)</sup> <b>INT/973 Sustainable corporate governance</b> (<a href="https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/sustainable-corporate-governance">https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/sustainable-corporate-governance</a>), point 1.6</p>

#### Outcome of the vote:

In favour: 68

Against: 97

Abstention: 15

#### AMENDMENT 1

SOC/727

**Decent work worldwide**

**Point 1.7**

**Amend as follows:**

#### Tabled by:

BLIJLEVENS René

GERSTEIN Antje Sabine

KONTKANEN Mira-Maria

MINCHEVA Mariya

MURESAN Marinel Dănuț

POTTIER Jean-Michel

Section opinion	Amendment
<p>As part of its fair and sustainable economy package, the Commission also presented a proposal for a corporate sustainability due diligence directive (see opinion INT/973). The EESC considers this proposal an important step in promoting respect for human rights as an obligation for businesses and directors. However, the EESC believes that this proposal still presents many shortcomings (for example, <b>limited individual application, as it only directly applies to large companies and only indirectly to SMEs</b>; low employee representation) and unclear legal concepts (such as the 'established' business relations requirement) that present a danger of being applied in different ways by national authorities and courts, creating legal uncertainties for both workers and companies. Consequently, the EESC calls for a balanced dialogue process between the Commission, the Parliament and the Council to correct these shortcomings and to improve the effectiveness of the regulatory instrument that is ultimately approved.</p>	<p>As part of its fair and sustainable economy package, the Commission also presented a proposal for a corporate sustainability due diligence directive (see opinion INT/973). The EESC considers this proposal an important step in promoting respect for human rights as an obligation for businesses and directors. However, the EESC believes that this proposal still presents many shortcomings (for example, <b>it is to be feared that the provisions of the directive, which does not explicitly include MSMEs, will indirectly be extended de facto</b><sup>(1)</sup>; low employee representation) and unclear legal concepts (such as the 'established' business relations requirement) that present a danger of being applied in different ways by national authorities and courts, creating legal uncertainties for both workers and companies. Consequently, the EESC calls for a balanced dialogue process between the Commission, the Parliament and the Council to correct these shortcomings and to improve the effectiveness of the regulatory instrument that is ultimately approved.</p> <p><sup>(1)</sup> <b>INT/973 Sustainable corporate governance</b> (<a href="https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/sustainable-corporate-governance">https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/sustainable-corporate-governance</a>), <b>point 4.9.</b></p>

#### Outcome of the vote:

In favour: 72

Against: 107

Abstention: 12

#### AMENDMENT 2

SOC/727

#### Decent work worldwide

#### Point 1.12

#### Amend as follows:

#### Tabled by:

BLIJLEVENS René

GERSTEIN Antje Sabine

KONTKANEN Mira-Maria

MINCHEVA Mariya

MURESAN Marinel Dănuț

POTTIER Jean-Michel

Section opinion	Amendment
<p>Additionally, the EESC calls for both EU support for a binding UN treaty on business and human rights, and <b>an ILO convention</b> on decent work in supply chains.</p>	<p>Additionally, the EESC calls for both EU support for a binding UN treaty on business and human rights, and <b>for ILO exploring the development and future adoption of any relevant and suitable instruments</b><sup>(1)</sup> on decent <b>work in supply chains.</b></p> <p><sup>(1)</sup> <b>REX/462 Decent work in global supply chains, point 1.9</b> <a href="https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/decent-work-global-supply-chains-own-initiative-opinion">https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/decent-work-global-supply-chains-own-initiative-opinion</a>.</p>

**Outcome of the vote: Did not vote on this AMP as it is exactly the same as 2.6 above.**

In favour: N/A

Against: N/A

Abstention: N/A

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**Opinion of the European Economic and Social Committee on the Proposal for a Council decision on guidelines for the employment policies of the Member States**

[COM(2022) 241 final]

(2022/C 486/22)

Rapporteur: **Mariya MINTCHEVA**

Referral	Council of the European Union, 14.6.2022
Legal basis	Article 148(2) of the Treaty on the Functioning of the European Union
Section responsible	Employment, Social Affairs and Citizenship
Adopted in section	6.9.2022
Adopted at plenary	22.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	146/0/2

## 1. Conclusions and recommendations

1.1 The EESC considers that the proposed guidelines for the employment policies of the Member States are appropriate as they address the most urgent issues in the labour market.

1.2 The EESC draws attention to the current increasingly uncertain geopolitical situation. Its impact on future demand is expected to affect companies' investment decisions and job security and delay the roll-out of investment plans by both the private and public sectors. With high inflation and increased energy prices that have a serious impact on purchasing power, along with the expected recession, it is even more necessary to ensure that there is a competitive base for sustainable investments. Member States should work towards a truly integrated single market and help SMEs to scale up.

1.3 In these turbulent times, steps must be taken to strengthen both the role of the social partners and their involvement in designing and implementing employment, social and economic reforms and policies, including by building their capacity. This is also important for the implementation of the European Pillar of Social Rights and the National Recovery and Resilience Plans. Civil society organisations active in employment and social issues, education and social service providers, social enterprises and welfare organisations need an enabling environment to deliver their services to vulnerable groups.

1.4 As labour shortages are on the rise again, effective measures should be implemented in order to encourage the social partners to work on skills needs at national level, with action adapted to individual sectors and local situations. With fast technological change and the twin transition, the 'lifespan' of previously acquired skills and competencies is getting ever shorter and lifelong acquisition of relevant skills and competencies is increasingly important for both workers and businesses. Labour mobility within the EU and legal labour migration should be encouraged.

1.5 The EESC believes that combined action by different policy instruments and measures negotiated by the social partners are needed to reduce in-work poverty. Apart from decent wages, including adequate minimum wages, these policy instruments can include well-designed and temporary financial incentives, accompanied by targeted and effective skilling and upskilling measures. Member States should be encouraged and supported to implement them in a coordinated way.

1.6 Targeted support is especially important for the long-term unemployed and/or inactive people, as it increases their chance of breaking (back) into the labour market and is an important factor in job retention. As the pandemic has hit young people particularly hard, youth-specific, inclusive, and forward-looking policy measures are crucial to ensure that young people are not left behind.

1.7 To lower the inactivity rate, efforts must be made to bring those further from the labour market back into it. If properly regulated through legislation or collective bargaining at national level, the various forms of work, work flexibility and telework could be important factors in enabling people from vulnerable groups to find work. Public employment services should be reinforced, including by digitalising their services and fostering cooperation with private employment services and other relevant labour market actors.

1.8 Member States, especially those identified as low performers in the Social Scoreboard, should be encouraged, also through the consistent use of EU resources, to facilitate an enabling framework for employers to employ people with disabilities or activate self-employed opportunities where possible. Social economy entities are key to supporting and implementing employment projects in this respect.

1.9 Measures to close the gender pay gap remain important, and the root causes of this issue should be addressed. The proposal for a Pay Transparency Directive, currently under discussion, should strengthen the application of the principle of equal pay between men and women for work of the same value, as one of the measures to address the gender pay gap, while remaining sensitive to concerns about additional burdens on companies and especially SMEs.

1.10 With a growing ageing population, increased life expectancy and a shrinking workforce, the challenges linked to social security and healthcare systems in the Member States need careful consideration in order to maintain the adequacy and financial sustainability of pension systems. Action is needed to enlarge the workforce through more inclusive labour markets, including by activating groups that are currently excluded from or under-represented in the labour market.

1.11 Once the Temporary Protection Directive became effective, Member States acted quickly to adapt their national regulatory frameworks to enable them to support Ukrainian refugees and third-country nationals living in Ukraine who have fled to Europe as a result of the war. Any bottlenecks need to be addressed.

## 2. General comments and background

2.1 During its 2022 cycle, the European Semester has resumed its broad economic and employment policy coordination while further adapting in line with the implementation requirements of the Recovery and Resilience Facility. The country reports published in May 2022 <sup>(1)</sup> include an assessment of progress made on the implementation of the European Pillar of Social Rights and its Action Plan, which sets social targets and indicators which are an integral part of the Semester and NRRPs. The link to the Social Scoreboard provides a targeted review of the implementation of the action plan. The country-specific recommendations have been streamlined.

2.2 In 2021, the guidelines for the employment policies of the Member States set out in the Annex to Council Decision (EU) 2020/1512 were maintained without any changes. In 2022, the European Commission has proposed a number of amendments, reflecting recent policy initiatives and adding new elements linked to the Russian invasion of Ukraine. The EESC welcomes the Commission's focus on the post-COVID environment which aims to ensure sustainable growth.

2.3 The war in Ukraine has exacerbated supply disruptions and increased uncertainty. The EU economy is also indirectly exposed to the COVID-related health situation in other regions. The economic outlook in the EU anticipates lower growth and higher inflation, especially for 2022 <sup>(2)</sup>. The high inflation rates and the sharp increase in energy and gas prices are putting further pressure on companies (and their competitiveness) and households (and their purchasing power). This will

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<sup>(1)</sup> 2022 European Semester: Country Reports.

<sup>(2)</sup> European Economic Forecast. Spring 2022.

inevitably affect the ability of some companies to create new jobs and will be a challenge for social protection systems in the months to come, requiring targeted policies to support labour market transitions.

2.4 While aiming to ensure inclusiveness and fairness, Member States' employment policies should also reflect economic and social developments. The impact of labour market policies should be carefully assessed so that they stimulate a sustainable recovery rather than reduced employment rates, lower quality jobs and reduced purchasing power for individuals. Labour and skills shortages should be given more attention, and specific policy recommendations and initiatives in line with the EPSR Action Plan should follow.

### 3. Specific comments

#### 3.1 *Guideline 5: Boosting the demand for labour*

3.1.1 Sustainable growth, quality job creation and employment participation (including older and younger people, women, people further away from the labour market, inactive persons, etc.) remain key economic and social challenges in Europe. To address them, a competitive base for investments must be ensured, exploiting the potential of the green and digital transitions. The EESC endorses the European Commission's encouragement to the Member States to create a business environment able to foster responsible entrepreneurship and genuine self-employment, cut red tape, work towards a truly integrated and properly functioning single market and help SMEs to scale up. The EESC strongly recommends that micro-enterprises remain covered by Guideline 5.

3.1.2 Boosting demand for labour across the EU can be done by increasing investments, especially productive ones, in key sectors of the economy; addressing the burdensome impact of taxes on labour where necessary, without weakening social protection and ensuring revenue for the sustainability of welfare systems; strengthen the fight against tax evasion and tax fraud and the informal economy; making diverse forms of work, regulated by legislation or collective bargaining, available for employers and workers, while working to improve working conditions in new forms of work in order to make them attractive for workers.

3.1.3 The increasingly uncertain geopolitical situation and its impact on future demand are expected to affect companies' investment decisions and job security and to delay the roll-out of investment plans by both the private and public sectors. Due to inflation, growth rates are falling and real wages are expected to shrink, before increasing moderately next year. The EESC notes the Commission's view whereby in some sectors 'concerns about job security rather than pay increases are likely to continue to have the upper hand in wage deals' <sup>(3)</sup>. Inflation places pressure on wage increases and purchasing power. To avoid a very dangerous wage-price spiral and increase productivity, it is critical that there is space for the social partners to improve collective bargaining coverage and practices at sector and company level, where concrete actions could be taken.

3.1.4 At the same time, structural labour market measures are needed in order to create quality job opportunities. Labour mobility within the EU and legal labour migration should be encouraged. The EESC expects that the Commission's package of 27 April 2022 on *Legal migration — Attracting skills and talent* to the EU will provide important support for the EU labour market.

3.1.5 The EESC welcomes both the emphasis on the circular economy as the sector with job creation potential and the support for sectors/regions that are especially impacted by the green transition due to their sectoral specialisation/regional concentration of a specific type of industry.

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<sup>(3)</sup> Spring 2022 Economic Forecast: Russian invasion tests EU economic resilience.

3.1.6 The EESC also draws attention to the resolution adopted by the 110th International Labour Conference on the inclusion of the principle of a safe and healthy working environment in the International Labour Organization's Fundamental Principles and Rights at Work and underlines the constant need to invest in the culture of prevention of accidents, occupational diseases and risks in the workplace.

3.1.7 The EESC considers that adequate minimum wages, either set by law or collective bargaining, constitute a valuable instrument for addressing in-work poverty. However, they are not enough by themselves, and combined action by different policy instruments is necessary. These policy instruments can include well-designed and temporary financial incentives, remodelling the redistributive effect of the tax system, where appropriate, etc. Financial instruments should be combined with targeted and effective skilling and upskilling measures, as low-skilled workers face a higher risk of in-work poverty than high-skilled ones (19 % vs 4,9 %) <sup>(4)</sup>. Member States should be encouraged and supported to implement them in a coordinated way.

3.1.8 Social partners' autonomy and their freedom to bargain collectively on a voluntary basis should be respected. Collective bargaining and increasing its coverage are still the best tools for striking the right balance on wage setting when it comes to fairness and responsiveness of wages to productivity developments, improving working conditions and social security contributions. Where there is a statutory minimum wage, the effective involvement of the social partners is equally important for identifying the right solutions to achieve upward socio-economic convergence adapted to the national situation. Where coverage of collective bargaining is weak, Member States should strive to create favourable conditions for the social partners to work on increasing it.

3.1.9 The social partners' involvement has proven to be very valuable during the COVID-19 crisis. In these turbulent times, steps must be taken to strengthen both the role of the social partners and their involvement in designing and implementing employment, social and economic reforms and policies, including by building their capacity. This is also important for the implementation of the European Pillar of Social Rights and the National Recovery and Resilience Plans. The role of civil society organisations, linked to their respective policy areas, should also be taken into account.

### **3.2 *Guideline 6: Enhancing labour supply and improving access to employment, lifelong acquisition of skills, and competences***

3.2.1 The EESC is pleased that the title of the guideline has been changed to incorporate the concept of lifelong learning. With fast technological change and the twin green and digital transitions, the 'lifespan' of previously acquired skills and competencies is getting ever shorter and lifelong acquisition of relevant skills and competencies is increasingly important for both workers and businesses. That is why it is important to assess the shared responsibility for life-long learning (LLL) at workplace level.

3.2.2 The EESC welcomes the proposed approach offering comprehensive support measures that make it easier to manage labour market changes. Upskilling and reskilling opportunities <sup>(5)</sup> are crucial if individuals are to be able to keep up with labour market changes, and they need to be guaranteed and accessible throughout people's professional lives (Principle 1 EPSR). However, lack of motivation to participate in training remains a serious challenge, and solutions should be explored. The social partners play an important role in assessing skills needs. Training funds have an important role in financing work-related training and national good practices should be promoted and shared between the Member States <sup>(6)</sup>.

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<sup>(4)</sup> Joint Employment report 2022.

<sup>(5)</sup> See also LMO study report *The work of the future: ensuring lifelong learning and training of employees*.

<sup>(6)</sup> EESC opinion on the *Learning and employability package* (OJ C 323, 26.8.2022, p. 62).

3.2.3 Targeted support is especially important for the long-term unemployed and/or inactive people, as it increases their chance of breaking (back) into the labour market and is an important factor in job retention. Member States should be encouraged to reduce the period of 18 months of unemployment established for reaching out to long-term unemployed persons. There is an urgent need for targeted measures to attract young people with professional career paths.

3.2.4 Labour shortages are on the rise again, after falling during the COVID-19 crisis<sup>(7)</sup>. The lack of effective skills forecasts is a critical issue for employers across the EU. Investment in adult learning and skills development, linked closely to labour market needs, can play a crucial role in the economic recovery and building a social Europe.

3.2.5 This also applies to refugees fleeing the war in Ukraine. Apart from language training, action must be taken to ease the process of recognising qualifications which have already been acquired and which are necessary to integrate the labour market. The EESC accordingly welcomes the Commission's guidance on access to the labour market, vocational education and training and adult learning for people fleeing Russia's war of aggression against Ukraine<sup>(8)</sup>.

3.2.6 The investments necessary to implement the RePowerEU initiative will be closely linked to the need for a trained workforce. With regard to individual learning accounts (ILA)<sup>(9)</sup>, the EESC reiterates its opinion that the decision on whether or not to adopt the ILA as one of the mechanisms for providing and financing training must remain fully a matter for the Member States. In any case, ILA need to support access to recognised and validated training courses. The role of the social partners in designing and/or managing relevant training funds is very important.

3.2.7 The EESC agrees that efforts must be made to raise the overall qualifications level in all Member States. This is especially relevant at the beginning of the learning process but also throughout people's entire professional lives. As rightly pointed out in the Joint Employment report 2022<sup>(10)</sup>, the positive trend of a reduction in the share of early school leavers has slowed down, and the rates have fallen by only 1,1 percentage points between 2015 and 2020. Strengthening work-based VET systems in the Member States and the labour-market relevance of tertiary education is particularly important, as is increasing the number of STEM graduates from VET and in tertiary education, especially women.

3.2.8 The pandemic has hit young people particularly hard: they have been one of the groups most affected by the economic and social crisis triggered by the pandemic. The COVID-19 crisis has undone ten years of progress on jobs for young people. To prepare adequately for the changing world of work (globalisation, the climate crisis, demographic changes and technological advancements), governments and institutions must consider the impact of each of the megatrends. Youth-specific, inclusive, and forward-looking policy interventions are crucial to ensure that young people are not left behind<sup>(11)</sup>.

3.2.9 The gender pay gap remains a challenge in the EU. As it varies widely from country to country, the root causes of this issue should be tackled, such as labour market and education segregation, gender stereotypes, lack of accessible childcare and other care infrastructures, and unequal distribution of household and care duties. Where pay discrimination exists (including based on age), it must be rooted out. The European Commission's proposal for a Pay Transparency Directive, currently under discussion, should result in helping Member States to strengthen the application of the principle of equal pay between men and women for work of the same value, as one of the measures to address the gender pay gap, while remaining sensitive to concerns about additional burdens on companies and especially SMEs.

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<sup>(7)</sup> Joint employment report 2022.

<sup>(8)</sup> C(2022) 4050 final.

<sup>(9)</sup> Council Recommendation on individual learning accounts.

<sup>(10)</sup> Adopted by the Council on 14 March 2022.

<sup>(11)</sup> The EESC is currently working on an information report on The equal treatment of young people in the labour market.

### **3.3 Guideline 7: Enhancing the functioning of labour markets and the effectiveness of social dialogue**

3.3.1 To improve the functioning of labour markets, the roles and responsibilities of different actors (public employment services (PES) and social services) must be overhauled. Consideration must be given to the potential for establishing partnerships between social services (to reach out to those further from the labour market and prepare them for training programmes), PES (tailored ALMPs (active labour market policies) with a retention component, guidance and counselling services) and private employment services (joint and/or complementary actions, i.e. sharing the vacancy database). The efficiency of policy measures must be assessed, rethought or redesigned where necessary. PES capacity should be enhanced, including by digitalising their services. Cooperation with private employment services and other relevant labour market actors should also be encouraged.

3.3.2 The social partners have a key role to play here, especially in the context of local labour markets and sectors in transition, where they can help smooth the transition between sectors, jobs and/or occupations. Civil society organisations also play an important role, with their specific expertise in various forms of employment (especially for vulnerable groups) and social issues, as well as being providers of educational and social services of general interest.

3.3.3 The inactivity rate is still relatively high throughout the EU<sup>(12)</sup>. Now is the time to bring those further from the labour market back into it. If properly regulated by legislation or collective bargaining at national level in order to guarantee fair working conditions, the various forms of work, work flexibility and telework could be important factors in enabling people, particularly those from vulnerable groups, to find work. Social infrastructures and services such as childcare or long-term care enable people with caring responsibilities to contemplate entering the labour market.

3.3.4 Working with the social partners is the key to promoting fair, transparent and predictable working conditions, which balance rights with obligations. The EESC shares the view that employment relationships leading to informal and insecure working conditions should be prevented, including in platform work, for which a draft directive is under discussion. The EESC points out that any measures regulating new working patterns, including platform work, should regulate flexible work arrangements, at the appropriate European and national level, while providing essential safeguards for the adequate protection of workers. The role of the social partners should be respected.

### **3.4 Guideline 8: Promoting equal opportunities for all, fostering social inclusion and fighting poverty**

3.4.1 Promoting equal opportunities for all and inclusive labour markets is especially important now when Europe is undergoing a number of crises, with a view to both delivering the goal of 78 % of people in employment set by the action plan for the implementation of the European Pillar of Social Rights and addressing labour shortages. This is true for everyone who is under-represented in the labour market, but also in light of the massive wave of people who have fled the war in Ukraine. Once the Temporary Protection Directive became effective, Member States acted quickly to adapt their national regulatory frameworks to enable them to support Ukrainian refugees and third-country nationals living in Ukraine who have fled to Europe as a result of the war. Any bottlenecks need to be addressed.

3.4.2 A tailored approach to various vulnerable groups (i.e. older workers, (young) people with disabilities, people with caring responsibilities, the long-term unemployed and people with patchy employment history, NEETs, migrants, etc.) is needed. Employment differences between rural and urban areas should also be taken into account. EU funds should be used

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<sup>(12)</sup> The highest inactivity rate is found in Italy (over 37 % in 2021). An inactivity rate of over 30 % can also be found in Croatia, Romania, Greece and Belgium. More data on the economically inactive population in Europe can be found here.



as a lever to encourage the Member States, especially those identified as low performers in the Social Scoreboard, to provide incentives for employers to employ people with disabilities or to promote self-employment. Decent work is the best tool for reducing poverty and recognising human dignity.

3.4.3 Temporary benefits and income support measures should be provided for the time required in order to accompany unemployed people or low-earners to new and better employment opportunities. In-work benefits <sup>(13)</sup>, together with structural measures to facilitate the inclusion of vulnerable groups, can facilitate their entry to the labour market, but should be transitory emergency and complementary measures, since an adequate wage policy enabling a decent standard of living, should be encouraged and supported.

3.4.4 Social economy enterprises are important, especially as entry-level jobs for the most vulnerable and to provide services at regional level. The EESC welcomes the Commission's Social Economy Action Plan and urges the Commission to set assessment projects of best projects at national level.

3.4.5 The emphasis on children is particularly welcomed. Child poverty should be addressed by means of comprehensive and integrated measures, and action to implement the Child Guarantee should be encouraged. The Committee totally agrees that the availability of affordable, accessible and quality services such as early childhood education and care, out-of-school care, education, training, housing, and health and long-term care is key for reducing child poverty and ensuring equal opportunities. More broadly, effective access to quality social services linked to the individual's needs should be strengthened; the COVID-19 crisis shone a harsh spotlight on this, and this topic must not be forgotten once the pandemic has come to an end.

3.4.6 At the same time, the green transition leading to the energy transition and especially the recent hikes in energy prices are making life even more complicated for vulnerable groups <sup>(14)</sup>. Despite political commitments, there is still work to be done to address energy poverty and make sure measures taken are well targeted and effective.

3.4.7 The combination of a growing ageing population increased life expectancy and a shrinking workforce means that an increasing number of older persons will be economically dependent unless we succeed in enlarging the workforce through more inclusive labour markets, including by activating groups that are currently excluded or under-represented in the labour market. Action is needed to address the challenges faced by the social security and healthcare systems in Member States. The adequacy and financial sustainability of pension systems for all is a crucial policy in all Member States. The EESC welcomes the comprehensive approach proposed by the Commission on equal opportunities for men and women as regards acquiring pension rights and the need for active ageing strategies to facilitate the labour market participation of older persons and reduce the gender pension gap. The EESC underlines the importance of avoiding fragmented work periods during people's active working lives in order to support social security systems through contributions and ensure that people are entitled to an adequate pension income on retirement.

Brussels, 22 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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<sup>(13)</sup> The OECD defines IWB as 'permanent work-contingent tax credits, tax allowances or equivalent work-contingent benefit schemes, designed with the dual purpose of alleviating in-work poverty and increasing work incentives for low-income workers'.

<sup>(14)</sup> See also the Opinion of the European Economic and Social Committee on 'Proposal for a Regulation of the European Parliament and of the Council establishing a Social Climate Fund' (OJ C 152, 6.4.2022, p. 158).



**Opinion of the European Economic and Social Committee on Proposal for a Regulation of the European Parliament and of the Council on establishing the European defence industry Reinforcement through common Procurement Act**

(COM(2022) 349 final)

(2022/C 486/23)

Rapporteur-General: **Maurizio MENSI**

Co-rapporteur General: **Jan PIE**

Referral	Council, 22.7.2022 European Parliament, 12.9.2022
Legal basis	Article 173(3) of the Treaty on the Functioning of the European Union
Section responsible	Consultative Commission on Industrial Change
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	155/1/13

## 1. Conclusions and recommendations

1.1. The EESC welcomes the proposal for a regulation on establishing the European defence industry Reinforcement through common Procurement Act (EDIRPA) to quickly strengthen Europe's defence industries and defence capabilities with reference to the immediate challenges that result from the Russian invasion of Ukraine.

1.2. The EESC supports the EDIRPA objectives to improve the European defence industrial and technological base (EDTIB) in terms of efficiency and rapid response to emergencies for a more resilient Union and to foster Member States' cooperation and interaction in defence procurement. Both objectives are more important than ever in a situation where war is back in Europe and society in general also needs to be adequately protected with the outlook of possible future tensions at strategical level.

1.3. The EESC considers that EDIRPA is useful to better structure and orchestrate the current peak of demand for urgent off-the-shelf equipment but cannot be considered as a precursor of a future European Defence Investment Programme, as it is a rather weak instrument in terms of industrial policy.

1.4. The EESC agrees that action is needed to speed up, in a collaborative manner, the adjustment of industry to structural changes, including the ramp-up of its manufacturing capacities, in order to help European industry to satisfy the increased demand of Member States in a timely manner.

1.5. The EESC also believes that joint procurement is needed to avoid that increased national defence investments deepen the fragmentation of the European defence sector, limit the potential for cooperation, intensify external dependencies and hamper interoperability, therefore ensuring that all Member States' can rapidly satisfy their most urgent capability needs revealed or exacerbated by the response to the Russian aggression against Ukraine.

1.6. At the same time, the EESC believes that replenishment of stocks often implies the replacement of products sent to Ukraine with exactly the same products. Such purchases may not have an important structuring impact on industry, nor do they drive technological innovation. The EESC therefore questions whether the logic of EDIRPA should be directly extended to a future European Defence Investment Programme.

1.7. The EESC welcomes the approach to incentivise joint procurement by direct financial support from the EU budget, but doubts whether the financial envelope of EUR 500 million will be sufficient to make a difference in Member States' procurement decisions.

1.8. The EESC wonders about the effectiveness of using the financial support for technical and administrative assistance for the implementation of the instrument, but also of granting subsidies in the form of financing not linked to cost; we therefore call upon the co-legislators to clarify this method to ensure the efficiency of EU spending.

1.9. The EESC welcomes that EU financial support is limited to procurement of defence products made in the EU or associated countries, and the specific conditions for EU companies under third-country control. Such limitation is in the interest of European taxpayers and necessary to achieve the objective of strengthening European defence industrial capabilities and in line with the objective of strategic autonomy.

1.10. At the same time, the EESC calls for a flexible interpretation of the requirement for the defence product not to be subject to a restriction by a non-associated third country (entity). Since EDIRPA covers off-the-shelf procurement and aims to address the most urgent product needs, the EESC believes that this requirement is less pertinent for EDIRPA than for the EDF (the European Defence Fund), which aims at the development of future capabilities. It should therefore be implemented carefully, balancing the search for greater autonomy against the urgency of the procurement and the need for interoperability with existing equipment.

1.11. The EESC supports the envisaged implementation in direct management, but stresses the need to ensure that the competent Commission services obtain in time the necessary human resources to cope with the workload that this implies.

1.12. The EESC calls upon Member States to closely cooperate with the Defence Joint Procurement Task Force established by the European Commission and the High Representative/Head of the European Defence Agency in order to guarantee the successful implementation of the EDIRPA.

## 2. Background

2.1. At their meeting in Versailles on 11 March 2022, EU Heads of State or Government committed to 'bolster European defence capabilities' in light of the Russia's military aggression against Ukraine. The Versailles declaration states that Member States should increase defence expenditures, step up cooperation through joint projects, close shortfalls and meet capability objectives, boost innovation including through civil/military synergies, and strengthen the EU defence industry. Moreover, the European Council invited 'the Commission, in coordination with the European Defence Agency, to put forward an analysis of the defence investment gaps by mid-May and to propose any further initiative necessary to strengthen the European defence industrial and technological base'.

2.2. In response to this invitation, the European Commission and the High Representative presented on 18 May 2022 a Joint Communication on the Defence Investment Gaps Analysis and Way Forward. The Joint Communication notes that years of severe underinvestment in defence led to industrial and capability gaps in the EU and to the current low levels of defence equipment stocks. The transfers of defence equipment to Ukraine, combined with a level of stocks tailored to peacetime, has resulted into the emergence of urgent and critical gaps in terms of military equipment.

2.3. The Joint Communication recalls that Member States need to restore defence combat readiness as a matter of urgency in light of the security situation and of transfers already made to Ukraine. Replenishment of stocks of material would also enable them to provide further assistance to Ukraine. At the same time, the Joint Communication calls upon Member States to buy the necessary defence equipment and material in a collaborative way. Joint procurement of urgently needed products would provide greater value for money, enhance interoperability and avoid that exposed Member States face an impossibility to obtain what they need, because of conflicting demands on the defence industry, which cannot respond to such a demand surge in the short term.

2.4. Against this background, the Joint Communication proposes to incentivise common procurement via the EU budget through a dedicated Short-Term Instrument. The EU financial support brought through this Instrument should stimulate cooperative defence procurement from Member States and benefit the EDTIB, while ensuring European armed forces' ability to act, security of supply and increased interoperability.

2.5. Responding to the urgency of the situation, the Commission presented, on 19 July 2022, a proposal for such an Instrument in the form of a regulation establishing the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA). The Commission counts on a swift adoption of the regulation and its entry into force by the end of 2022.

2.6. Following the creation of the Instrument, the Commission intends to propose a regulation for a European Defence Investment Programme (EDIP). According to the Commission, the EDIP Regulation could serve as the anchor for future joint development and procurement projects of high common interest to the security of the Member States and the Union, and by extension of the logic of the short-term instrument, for possible associated Union financial intervention for the reinforcement of the European defence industrial base, in particular for projects that no single Member State could develop or procure alone.

### 3. General comments

3.1. The Union's geopolitical context has changed dramatically in light of the Russia's military aggression against Ukraine. The return of territorial conflict and high-intensity warfare on European soil requires Member States to rethink their defence plans and capacities. This must come along with an adjustment of the underpinning industrial and technological base, which should be enabled to support and strengthen Member States' armed forces, which are a fundamental tool of a mature democracy, protecting the freedom of European citizens.

3.2. The EESC welcomes the announced increases of Member States' defence expenditures to rapidly close urgent military gaps. However, without coordination and cooperation, these increases risk deepening the fragmentation of the European defence sector, limit the potential for cooperation throughout the life cycle of the purchased equipment and hamper interoperability. Moreover, choices made on short-term acquisitions often have a longer-term impact on the market strength of the EDTIB and opportunities for the next decades.

3.3. The EESC therefore supports the initiative to incentivise joint procurement of the most urgent defence product needs. Joint procurement seems particularly important in the current situation, where a sudden increase of demand for similar products meets an industrial supply side that is still tailored for peace time and hence struggling to satisfy the demand. Cooperation in defence procurement is therefore necessary to ensure solidarity between Member States, enhance interoperability, prevent crowding-out effects and improve the effectiveness of public spending.

3.4. It is equally important to help industry adjust to the structural changes of the new security environment. Since the necessary strengthening of Europe's military capabilities is a long-term effort, and continuous support for Ukraine may become necessary for a longer period, the EDTIB will have to ramp-up its manufacturing capacities. This is necessary to cope with the current peak of demand, but also beyond this.

3.5. In this respect, the EESC believes that the proposed EDIRPA is too limited in its approach, scope and financial envelope to make a difference in strengthening Europe's industrial capacities. The replenishment of stocks limits by definition the choice of products and suppliers, EUR 500 million for 27 Member States over two years is a rather modest investment.

3.6. In short, the EESC believes that the proposed regulation can make a useful contribution to better structure and orchestrate the current peak of demand for urgent off-the-shelf equipment, but is a rather weak instrument in terms of industrial policy. Consequently, the EESC does not believe that EDIRPA should necessarily be considered as a precursor of a future European Defence Investment Programme, which is announced as an instrument to support joint procurement of and for jointly developed systems during their entire life cycle.

#### 4. Specific comments

4.1. According to the proposal, the EDIRPA will take into account the work of the Defence Joint Procurement Task Force established by the Commission and the High Representative/Head of the European Defence Agency. The Task Force is supposed to facilitate coordination of Member States' very short-term procurement needs and engage with Member States and EU defence manufacturers to support joint procurement to replenish stocks. The work of this Task Force is therefore crucial for the success of EDIRPA, and the EESC calls upon Member States to make full use of it.

4.2. The EESC doubts that the proposed budget envelope is large enough to influence Member States procurement decisions substantially. At the same time, we are fully aware of the financial pressure on the current MFF, and the need for additional funding for a future EDIP. Against this background, it will be particularly important to focus the limited EDIRPA funding on the most relevant joint procurements.

4.3. Related to budget constraints and selection of projects, the EESC questions how the concept of financing not linked to cost can be applied in practice to the purchases aimed at under EDIRPA. The EESC also wonders about the effectiveness of using the budget for technical and administrative assistance for the implementation of the instrument.

4.4. The EESC supports the envisaged implementation in direct management, but stresses the need to ensure that the competent Commission services obtain in time the necessary human resources to cope with the workload that this implies.

4.5. The EESC agrees on the eligibility criteria of the proposed regulation, in particular the possibility to expand already existing procurement contracts.

4.6. The EESC also supports the additional condition to limit EU funding to the procurement of equipment made in the EU or associated countries, including by companies under third country (entity) control that can provide security guarantees by the Member State in which they are located. This condition replicates the relevant EDF provisions and ensures fulfilment of the objective of strengthening the EDTIB.

4.7. At the same time, the EESC questions the importance of the requirement for the defence product not to be subject to a restriction by a non-associated third country (entity). Since the proposed instrument covers off-the-shelf procurement and aims to address the most urgent product needs, this requirement seems less pertinent for EDIRPA than for the EDF, which aims at the development of future capabilities and for which technological sovereignty is a declared objective. The EESC therefore calls for a flexible interpretation of this provision, leaving it for Member States to balance the search for operational freedom against the urgency of the purchase and the interoperability with existing equipment.

4.8. Finally, the EESC wonders about the suitability of certain proposed award criteria, namely those which concern the positive impact of the procurement on the EDTIB. Given the focus on the most urgent needs and off-the-shelf procurement of rapidly available equipment, this impact is probably not a major criterion for Member States, unless the contractor is located on their own territory. Moreover, buying Member States will probably find it difficult to demonstrate the positive impact on the EDTIB, in particular when urgency is the primary concern.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council establishing the Union Secure Connectivity Programme for the period 2023–2027**

(COM(2022) 57 final — 2022/0039 (COD))

and

**Joint Communication to the European Parliament and the Council: An EU Approach for Space Traffic Management — An EU contribution addressing a global challenge**

(JOIN(2022) 4 final)

(2022/C 486/24)

Rapporteur: **Pierre Jean COULON**

Referral	European Commission, 2.5.2022
Legal basis	Articles 189(2) and 304 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted in section	7.9.2022
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	222/0/1

## 1. Conclusions and recommendations

1.1. The EESC considers that the communication and the proposal, which mark the beginning of the development of a European space package, are necessary and crucial at this moment in time. It recommends that the joint communication, through active diplomacy, should strongly promote multilateral governance of space traffic within the UN framework, particularly within the Committee on the Peaceful Uses of Outer Space (COPUOS) and the Conference on Disarmament, since we do not have enough rules on this subject.

1.2. The highest priority — management of space traffic, including debris — requires that all actors are taken into account at European level. As stated in the joint communication, and as this opinion shows, the main problem concerning the patchwork of space traffic management (STM) programmes is the lack of international standardisation. It is therefore clear that standards, guidelines and international best practices need to be developed.

1.3. The EESC calls for the practical implementation of a space situational awareness system to ensure the long-term sustainability of space for all Member States.

Indeed, the second key principle of space law is the responsibility of various actors for their space activities. This principle consists of an international responsibility for monitoring activities, and liability for damages caused by these activities in outer space. The joint communication frames itself in the context of international responsibility for the monitoring of activities.

1.4. The EESC regrets the lack of international standardisation and recommends the adoption of standards, including for the management of satellite debris, and guidelines at European level involving organised civil society.

The struggle between actors in the space sector, until now mainly state actors, and those who aspire to become major actors (public or private) calls for a thorough reform of the international standards that were adopted when space was a matter for a limited group of technological and industrial powers.

1.5. As highlighted in supplementary opinion CCMI/196 on *New Space*:

- synergies should be developed with the European Defence Fund, increasing interactions between the civil, space and defence industries;
- the Horizon Europe framework programme should be used to stimulate the space market, supporting the creation of innovative commercial solutions for the EU downstream and upstream space sectors and accelerating the availability of the key technologies needed;
- education and training activities are key for the development of advanced skills in space-related fields, while the experience gained during previous constellation projects such as Galileo and Copernicus could be used to improve the space-based connectivity system;
- as for governance, assigning responsibilities to the best actors on the basis of demonstrated competence, in compliance with the rules on public procurement, would ensure effective programme delivery while fostering the emergence of New Space;
- moreover, encouraging scientific and technical progress is at the basis of competitiveness and innovation capacity, for the benefit of SMEs, start-ups and innovative businesses.

## 2. Background

2.1. In many respects, space is now an additional economic territory. The acceleration of public and private investment is leading to an increase in space activities, and is transforming space into a major geo-strategic issue. Technological competition, the development of start-ups dedicated to the space sector, the opening of new markets and services and the willingness of States and private operators to strengthen in-orbit activities mean that space is being used more and more.

2.2. Despite the strategic magnitude of space, there is no overarching authority or any binding laws applicable to low and geostationary orbits, and there is no space traffic regulation or management system, despite an increase in the number of satellites in orbit.

2.3. Currently, the management of space traffic relies solely on voluntary and non-binding good practices that are not always well managed or applied, and that aim to reduce the statistical risks of collision between satellites and debris. According to these practices, debris in orbit should not be produced intentionally, satellites should be 'passivated' at the end of their lives by using leftover fuel, the '25-year rule' for satellites in low orbit (satellites at the end of their operational life must re-enter Earth's atmosphere within 25 years) should be complied with, and unused geostationary satellites should be placed in 'graveyard orbit'. However, these rules are no longer sufficient for reducing collision risks.

2.4. In addition to this, new operational concepts are emerging such as Space Surveillance and Tracking (SST), Space Traffic Coordination (STC), and Space Traffic Coordination and Management (STCM) <sup>(1)</sup>.

2.5. Proper legislation on space activities and satellite traffic to ensure the long-term sustainability of space is urgent as well as strategic, as is the use of artificial intelligence to avoid collision risks.

2.6. At the start of the year, the European Commission launched the *Spaceways* project, the aim of which is to design a Space Traffic Management system in order to 'adopt a highway code and [to] determine the conditions under which licences and flight permits could be issued'.

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<sup>(1)</sup> JOIN(2022) 4 final.



2.7. The aim of the *Spaceways* projects and the EUSTM, which was launched in January 2021, is to provide, by June and August 2022 respectively, recommendations and guidelines to the European Commission on 'Space Traffic Management, as well as a policy, legal and economic assessment of this domain, finally leading to recommendations and guidelines' <sup>(2)</sup>.

2.8. The Joint Communication from the Commission and the High Representative recognises the need for an EU approach and provides for regular consultation, discussions and dialogues with all relevant civil and military stakeholders in the EU in the field of transport, in particular aviation and the European space industry, while taking into account defence and security needs, with the support of the European Defence Agency. The EESC would like the whole social community, and not just industry, to take part in this process.

2.9. The communication envisages using the EU SST consortium <sup>(3)</sup> to develop the operational capacity essential for future EU Space Traffic Management. This involves improving its performance, developing space surveillance and tracking (SST) services and new technologies using artificial intelligence and quantum technologies, supporting debris reduction and in-orbit servicing operations, and establishing funding synergies between the EU, national funds, the European Space Agency (ESA), Horizon Europe and the European Defence Industrial Development Programme (EDIDP).

2.10. Enhancing space coverage outside the European continent is a key point of the Union Secure Connectivity Programme for the period 2023–2027. The EU will have to rely in particular on the United Nations Office for Outer Space Affairs (UNOOSA), as well as national bodies to draft standards applicable to the management of space territory, while encouraging the development of common standards within a dedicated forum, and to promote an integrated approach within international standardisation organisations.

2.11. The ambitions set out require, in the short term, that the industry undertakes certain obligations, and, in the medium term, that the Member States draw up a legislative proposal to address the fragmentation of national approaches and avoid distortions of competition with operators established outside the EU, by imposing the principle of equal treatment for operators. Non-binding measures, such as guidelines, are also envisaged.

The legislative proposal would be the first step; European organisations must then adopt technical requirements, such as universally applicable standards or guidelines.

2.12. The communication states that the EU will favour a multilateral approach in the framework of the United Nations, by fostering the discussion with the Committee on the Peaceful Use of Outer Space (COPUOS) and the Conference of Disarmament. Given that the future of humanity is at stake, the EU must therefore identify the relevant UN bodies to carry out these activities, including the International Civil Aviation Organization (ICAO).

The communication envisages a bottom-up method, starting with national and regional contributions, by seeking a consensus on the rules and standards described; regional components will then form part of the global management, the governance of which still needs to be determined.

### 3. General comments

3.1. The Commission's communication assesses space traffic management needs and proposes a European approach to the use, including civil use, of space, applicable at global level. The development of space activities, the higher number and variety of actors involved in the exploitation of outer space, as well as the dependence of all sectors of activities on satellite technologies and services, have led to the gradual overexploitation of orbits and saturation of the frequency spectrum, which is in need of rationalisation.

3.2. Under international law (International Telecommunication Union — ITU), earth orbits are considered limited natural resources. The principles of freedom and non-appropriation that govern the use of earth orbits are facing frequency allocation requests and the proliferation of satellite systems from countries and businesses that sometimes disregard ITU rules.

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<sup>(2)</sup> The *Spaceways* project, funded by the European Union's Framework Programme for Research and Innovation 'Horizon 2020', comprises 13 major European operators: satellite manufacturers and launchers, operators and service providers, and policy and legal research centres and institutes.

The EUSTM comprises 20 major European operators.

<sup>(3)</sup> France, Germany, Italy, Poland, Portugal, Romania and Spain.



3.3. The struggle between actors in the space sector, until now mainly state actors, and those who aspire to become actors in this sector, including private actors, calls for a thorough reform of international standards that were adopted when space was a matter for a limited group of technological and industrial powers.

3.4. In addition to legal issues, the use of space territory takes place in a context marked by the return of international geopolitical tension, as recently shown; this is the case in particular for co-orbital operations of intimidation, demonstrations of technological one-upmanship and anti-satellite weapons testing, which have created an atmosphere of mistrust among countries.

3.5. The challenges posed by orbit and frequency spectrum saturation, as well as the threat posed by the increase in space debris, have led the Member States, the ESA and the EU SST consortium <sup>(4)</sup> to consider better coordination of surveillance tools and technologies. The EESC calls for strict regulations in the face of an increasing number of private constellations and possible no-go zones.

3.6. The joint communication highlights the careful relaunching of the international dialogue in favour of a code of conduct and measures, including legislative ones, designed to ensure the sustainable use of outer space.

### Legal and political considerations

3.7. The EESC supports the operational objectives set out in the communication and the proposal for a Regulation, and wishes to draw attention to some legal and political considerations that cannot be overlooked, given the issues at stake.

3.8. The concept of 'space law' is not easy to define. No consensus has been reached on the delimitation of space; however, it is recognised that space law is characterised in particular by its guiding principles.

3.9. While main principles have been adopted following five international treaties and eight international resolutions <sup>(5)</sup>, the issue of defining space law is still up in the air, since concerns at the start of space exploration had mostly been about preventing leading space powers from appropriating celestial bodies, rather than explicitly defining the subject matter of this law.

3.10. The principles of space law were first established by United Nations Resolution 1962 (XVIII) of 13 December 1963, and repeated in the first Outer Space Treaty of 1967.

These principles include:

- the exploration and use of outer space for the benefit of all humankind;
- freedom of use and exploration;
- non-appropriation;
- peaceful use;
- States being responsible for their space activities;
- cooperation and mutual assistance;
- national jurisdiction and control over space objects;
- States being liable for damage;
- astronauts being regarded as the envoys of humankind.

3.11. Two other principles of space law reflect its peaceful objective.

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<sup>(4)</sup> <https://www.eusst.eu>

<sup>(5)</sup> I. Chalaye, *Le statut des orbites terrestres et leur utilisation à la lumière des principes du droit spatial*, Institute for Applied Geopolitical Studies (IEGA), Paris, October 2021.

The first is the obligation of cooperation and mutual assistance imposed on all States participating in the exploration and use of outer space. This involves an effective and transparent dialogue between space powers in order to ensure the sustainability and safety of the activities carried out. This dialogue is currently oriented towards the issue of space debris, as reflected in the communication.

3.12. The second key principle of space law is the responsibility of States and new actors for their space activities. This principle consists of an international responsibility for monitoring activities, and liability for damages caused by these activities in outer space. The joint communication seeks to frame itself in the context of international responsibility for the monitoring of activities.

3.13. During the drafting of the main space treaties, the issue of space debris, and the saturation of orbits and frequencies, was not on the agenda; today, however, the dependence of our societies on satellite resources has led to a sharp increase in the launching of objects into space, to the extent that the issue of orbits and frequency distribution has become a real strategic challenge.

3.14. After sixty years of space exploitation, we have therefore witnessed an unprecedented increase in the security challenges concerning orbits. Since the Chinese ASAT test in January 2007, displays of force of various forms have multiplied in space. The issue of the weaponisation of space has also been raised.

In international law, this issue is a grey area given that no definition exists yet as to what constitutes a means of attack in space, or what constitutes an attack itself, since methods of attack in space are diverse and varied; these include missile strikes, laser beams, cyberattacks on communication channels, co-orbital manoeuvres, etc.

3.15. The geostationary orbit faces a problem of a different kind — frequency congestion and the risk of interference. The geostationary orbit is crucial for ensuring the continuity of telecommunications services for every State in the world. This poses a certain number of legal difficulties since the development of the geostationary orbit has led to the creation of a financial market, and has even given rise to speculation.

3.16. In light of the above, the EESC therefore considers that the joint communication, through active diplomacy, should strongly promote multilateral governance of space traffic within the UN framework, particularly within the Committee on the Peaceful Uses of Outer Space (COPUOS) and the Conference on Disarmament, since we do not have enough rules on this subject.

### **Space Traffic Management — a European governance challenge**

3.17. Space Traffic Management is not a new concept. Nevertheless, due to the nature and significance of the security, safety and sustainability challenges concerning space activities, Space Traffic Management (STM) has gained an unprecedented level of priority for space actors and States that are aware of their dependence on space assets. However, only countries that have the relevant technological capacities are already equipped with Space Surveillance and Tracking (SST) and Space Situational Awareness (SSA) programmes.

3.18. The US Department of Defense is currently using the most advanced system. Its Space Surveillance Network (SSN), which uses earth and space radars, provides the US with a unique detection and identification capacity, which it also uses as a tool of influence among its allies and partners.

Other countries such as Russia, China, Japan, India and some European countries (France, Germany) have also developed space surveillance programmes. Given their strategic function, the vast majority of these programmes are controlled by the military, with the support of space agencies.

In the EU, France, Germany, Italy, Poland, Portugal, Romania and Spain have set up the EU SST consortium to assess, free of charge, the risk of collision in orbit and the risk of uncontrolled re-entry of space debris into the Earth's atmosphere, and detect in-orbit fragmentations. In 2023, the EU SST will become a partnership incorporating more Member States to provide a collision risk assessment service to European and global satellite operators.

Some private companies have also set up their own SST/SSA systems in order to provide commercial data and services.

3.19. As stated in the joint communication, and as this opinion shows, the main problem concerning the patchwork of STM programmes is the lack of international standardisation. Yet it is clear that standards, guidelines and international best practices need to be developed.

3.20. Global initiatives and decisions on STM could create a challenging environment for Europe and its space actors. US policy has taken the lead by stating that the US must lead way for the rest of the world in developing better space data and situational awareness standards, develop a set of standardised techniques to mitigate collision risks, and promote a range of technical standards, practices and standards on the security of space operations, on an international level.

3.21. The EU has addressed the strategic, commercial and geopolitical aspects of Space Traffic Management, which not only involves the sustainability of outer space, but also addresses the future of Europe's independence in terms of its access to and use of space.

European space actors have already developed some policies and initiatives aimed at directly or indirectly addressing concerns about Space Traffic Management. However, Europe's delay in addressing the issue through joint projects has consequences.

3.22. Indeed, the future competitiveness of European satellite manufacturing could be jeopardised if companies are forced to use US STM data, or present a licence issued by the US STM, given that they might have it refused. There are also considerable risks for European launch service providers.

Many European actors rely heavily on the data sharing agreements signed with the US in relation to the new 2021 European Space Situational Awareness (SSA) system. These include ministries and armies<sup>(6)</sup>, European intergovernmental organisations (ESA, EUMETSAT), commercial satellite operators and launch service providers.

3.23. In the EESC's view, the EU must adopt provisions aimed at ensuring not only a certified level of performance, but also the long-term availability of space-based services. Moreover, as it strives to implement a credible common security and defence policy, to which space assets provide a key, or even vital, contribution, Europe must meet the strictest requirements in terms of security and safety for governmental users and defence.

3.24. The EESC notes that although, in the past, the EU's approach was mainly geared towards the physical protection of space assets — based on a rigid and costly strategy — recent EU initiatives suggest a transition to a more resilience-based approach. The EU is now calling for an anticipatory approach to the security of space infrastructure. To this end, it has launched two major initiatives: the proposal to draw up an international code of conduct for outer space activities and the Space Situational Awareness Programme.

3.25. Nevertheless, the EESC regrets that there is an initial shortcoming in coordinating the capacities of certain Member States that have their own surveillance and monitoring means. It is currently difficult to agree on the objectives of a European STM programme. The issue of Space Traffic Management is, to a large extent, a perfect example of the challenge in creating real European governance in the space sector, despite the fact that issues concerning the sustainability of space and the security of outer space are common to all Member States either because they deploy space capabilities, or because they use space resources.

3.26. These challenges are all barriers to the competitiveness of the European space industry at international level. In the long term, the lack of standards developed by the EU and of compatibility with other standards could compromise freedom of access to space. Having one's own launch capability is not enough. It is also necessary to be able to deploy satellites independently from non-European standards in order to maintain European space competitiveness, as demonstrated by the success, on 22 June 2022, of Ariane 5's first mission of the year, the purpose of which was to launch two satellites into orbit — one Malaysian and one Indian. Moreover, the next phase, Ariane 6, will soon become a reality; it is more flexible and less costly than Ariane 5 (and therefore better placed to compete against the United States' SpaceX) and its first launch is planned for 2023.

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<sup>(6)</sup> [https://www.esa.int/Safety\\_Security/SSA\\_Programme\\_overview](https://www.esa.int/Safety_Security/SSA_Programme_overview)

3.27. In response to this communication, the EESC would like to reiterate:

- its commitment to the civil applications of Galileo in relation to rail, maritime and road transport;
- its desire for the swift implementation of the critical infrastructure proposed by Commissioner Thierry Breton.

3.28. While rules and standards drawn up at national level by certain Member States may prove useful for the development of common provisions, it will nevertheless be imperative for the EU to become the final arbiter for standardisation measures. This means that the EU Member States and the ESA will have to agree on the objectives and principles of European efforts in the area of STM, set up consultation and coordination mechanisms, and establish a clear distinction of roles, the unequivocal sharing of responsibilities and the transparent distribution of activities among the Member States and European stakeholders, without contradicting existing systems in other countries.

3.29. In the EESC's view, the joint communication is a late, but nevertheless welcome, acknowledgement of the importance of addressing the multilevel challenges that will arise from an increase in space activities, the lack of a binding framework for which could jeopardise global balance.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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## ANNEX

The Supplementary Opinion of the Consultative Commission on Industrial Change — CCMI/196 — New Space can be found on the following pages.

**‘Opinion of the Consultative Commission on Industrial Change on Space-based secure connectivity and new space: a European industrial path towards sovereignty and innovation**

**(supplementary opinion to TEN/775)**

Rapporteur: **Maurizio MENSI**

Co-rapporteur: **Franck UHLIG**

Plenary Assembly decision	22.2.2022
Legal basis	Rule 56(1) of the Rules of Procedure Supplementary opinion
Section responsible	Consultative Commission on Industrial Change
Adopted in section	24.6.2022
Outcome of vote (for/against/abstentions)	21/0/1

## 1. Conclusions and recommendations

1.1. The EESC supports the European Commission initiatives on space-based secure connectivity and “new space” to strengthen the industrial and operational sovereignty of the Member States. Ensuring autonomy is crucial not only for future industrial competitiveness, but also for ensuring strategic non-dependence and resilience <sup>(1)</sup>, as recently shown by the shortage of electronic components, in particular following the COVID-19 crisis and the war in Ukraine, which have severely affected the European space industry.

1.2. The EESC believes that secure, accessible and affordable connectivity is not only an essential tool for the functioning of participatory democracy but also a prerequisite for the proper implementation of fundamental rights and an opportunity for increased empowerment of citizens and civil society.

1.3. The EESC recognises the importance of space for our economy and society, as well as its strategic relevance from a security and defence perspective, as shown by the Russian–Ukrainian war. Moreover, the physical security and cybersecurity of both ground and space infrastructures, together with the related data, are key to ensuring service continuity and the proper functioning of the systems.

1.4. The EESC believes that stimulating the European space ecosystem is key to advancing the twin transitions and tackling major global challenges such as climate change. It also recognises the potential advantages of involving space start-ups and SMEs in EU space programmes, including their contribution to the EU’s resilience and strategic autonomy.

1.5. The EESC firmly believes that as the governance of a secure and autonomous space-based connectivity system (“the Programme”) requires various bodies to work together, an efficient and appropriate degree of coordination has to be guaranteed.

<sup>(1)</sup> Europe has the second-largest space industry in the world, which employs over 231 000 professionals and is estimated to be worth EUR 53–62 billion, Study on the “Space Market”, European Parliament, November 2021.

1.6. The EESC considers that the Horizon Europe framework programme, already in place, should be used to stimulate the space market, support the creation of innovative commercial solutions for the EU's downstream and upstream space sectors and accelerate the availability of the key technologies needed for the Programme in conjunction with the Euro<sup>(2)</sup> QCI and ENTRUSTED<sup>(3)</sup> initiatives. In particular, a European-based system of components, systems and subsystems would require massive, long-term efforts to restore a strong European industry.

1.7. The EESC recommends that synergies be developed with the European Defence Fund and through the Commission's action plan on interactions between the civil, space and defence industries.

1.8. The EESC believes that in order to ensure the competitiveness of the European space industry, the Commission's initiatives should contribute to the development of advanced skills in space-related fields and should support education and training activities, in order to realise the full potential of Union citizens in that area. This would improve the important social dimension of the Programme.

1.9. The EESC stresses the need to take into account all space capabilities for the modernisation of existing space assets (Galileo<sup>(4)</sup>, Copernicus<sup>(5)</sup>) as well as for the development of future constellations and services. This will enhance the resilience of the EU's space assets and foster the competitiveness of its industry. Assigning responsibilities on the basis of demonstrated competence should ensure effective programme delivery.

1.10. The EESC believes that the EU needs to encourage scientific and technical progress and support the space sector's competitiveness and innovation capacity, in particular with regard to SMEs, start-ups and innovative businesses, thereby stimulating upstream and downstream economic activities. In fact, research and innovation programmes play a fundamental role in increasing the technological capabilities of the Union and its members.

## 2. Background to the opinion, including the legislative proposal concerned

2.1. The European Commission's proposal aims to develop a programme for the provision of guaranteed and resilient satellite communications. The Commission is committed to fostering innovation in the space sector and further contributing to the development of a thriving EU "New Space" ecosystem, having included this among the key priorities of its Space Programme. To this end, the Commission has launched the CASSINI initiative<sup>(6)</sup>. In particular, it would ensure the long-term availability to governmental users of worldwide reliable, secure and cost-effective satellite communications services that support protection of critical infrastructures, surveillance, external actions and crisis management, thereby increasing the resilience of Member States.

2.2. The initiative is supposed to benefit from the expertise of the European industrial space industry, both from the well-established industrial players and from the New Space ecosystem. Thus, global satellite connectivity has now become a strategic asset for the security, safety and resilience of the EU and its Member States. The proposal also aims to allow commercial high-speed broadband availability throughout Europe, removing dead zones and ensuring cohesion across Member State territories, and provide connectivity over geographical areas of strategic interest, such as Africa and the Arctic region. After Galileo and Copernicus, the proposed third constellation will rely on three new differentiators: security by design (through the use of new technologies, such as quantum) for sensitive communications (defence), a multi-orbital constellation and an architecture based on public-private partnerships (to further boost the commercial dimension).

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<sup>(2)</sup> The European Quantum Communication Infrastructure (EuroQCI) Initiative.

<sup>(3)</sup> A research project in the area of secure satellite communications (SatCom) for EU governmental actors. ENTRUSTED: "European Networking for satellite Telecommunication Roadmap for the governmental Users requiring Secure, inTerooperable, innovativE and standardiseD services".

<sup>(4)</sup> The European global satellite-based navigation system, operational since December 2016, when it started offering services to public authorities, businesses and citizens.

<sup>(5)</sup> The European Union's Earth Observation Programme, provider of Earth observation data, which is used for service providers, public authorities and international organisations.

<sup>(6)</sup> Competitive Space Start-ups for Innovation is the European Commission's space entrepreneurship initiative whose main objective is to support start-ups and SMEs at different stages of their growth with a set of tools and fundings.



2.3. The proposal is consistent with a number of other EU policies and ongoing legislative initiatives concerning data (such as the Inspire Directive <sup>(7)</sup> and the Open Data Directive <sup>(8)</sup>), cloud computing and cybersecurity. In particular, the provision of governmental services would ensure further cohesion in line with the EU's digital and cybersecurity strategies by ensuring the integrity and resilience of the European infrastructures, networks, communications and data. The proposal will also support the competitiveness and innovation capacity of space sector industries within the Union and greatly contribute to ensuring Europe's autonomous and affordable access to space in the coming years, while having a critical and profound positive impact on the competitiveness of European launchers' exploitation models <sup>(9)</sup>.

2.4. The conclusions of the European Council of 21-22 March 2019 stressed that the Union needs to go further in developing a competitive, secure, inclusive and ethical digital economy with world-class connectivity <sup>(10)</sup>. In particular, the Commission's *action plan on synergies between civil, defence and space industries* of 22 February 2021 states that it aims to "enable access to high-speed connectivity for everyone in Europe, and provide a resilient connectivity system allowing Europe to remain connected, whatever happens <sup>(11)</sup>."

2.5. The Programme would complement the existing EU GOVSATCOM <sup>(12)</sup> arrangements on pooling and sharing the existing governmental satellite communication capacity. Due to the limited lifespan of a satellite, several of the governmentally-owned infrastructures that will constitute part of the GOVSATCOM pooling and sharing will need to be replenished in the coming decade <sup>(13)</sup>.

2.6. The increasing hybrid and cyber threat levels and the propensity of natural disasters drive the changing needs of governmental actors towards higher security, reliability and availability of commensurate satellite communication solutions. Furthermore, the rise of quantum computers adds an additional threat, since these computers will be able to decrypt content that is currently encrypted.

2.7. There has been an emergence of various public-supported or subsidised non-EU mega-constellations in the US, China and Russia. Coupled with the shortage of available frequency filings and orbital slots and the limited lifetime of GOVSATCOM capacity, this creates an urgency for an EU space-based secure connectivity system. The Programme would cover the capacity and capability gaps for governmental satellite communication services.

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<sup>(7)</sup> Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community (INSPIRE) (OJ L 108, 25.4.2007, p. 1).

<sup>(8)</sup> Directive (EU) 2019/1024 of the European Parliament and of the Council of 20 June 2019 on open data and the re-use of public sector information (OJ L 172, 26.6.2019, p. 56).

<sup>(9)</sup> With 18 satellites currently in orbit and over 30 planned in the next 10–15 years, the EU is also the largest institutional customer for launch services in Europe. Launchers are the second largest area of space-manufacturing activity in Europe after commercial satellites, boosting European industry. The Commission will aggregate the launch service needs of EU programmes and act as a smart customer of European reliable and cost-effective launch solutions. It is crucial that Europe continues to have modern, efficient and flexible launch infrastructure facilities.

<sup>(10)</sup> Since June 2019, Member States have signed the European Quantum Communication Infrastructure (EuroQCI) Declaration, agreeing to work together, with the Commission and with the support of the ESA, towards developing quantum communication infrastructure that would cover the whole EU.

<sup>(11)</sup> COM(2021) 70 final.

<sup>(12)</sup> The EU adopted the GOVSATCOM component of Regulation (EU) 2021/696 of the European Parliament and of the Council of 28 April 2021 to ensure the long-term availability of reliable, secure and cost-effective satellite communication services for GOVSATCOM users. Regulation (EU) 2021/696 envisages that in a first phase of the GOVSATCOM component until approximately 2025, existing capacity would be used. In that context, the Commission is to procure GOVSATCOM capacities from Member States with national systems and space capacities and from commercial satellite communication or service providers, taking into account the essential security interests of the Union.

<sup>(13)</sup> In fact GOVSATCOM is a strategic asset — closely linked to national security — used by most Member States. Public users tend to favour either government-owned (owners of Governmental SATCOM include France, Germany, Greece, Italy, Luxembourg, Spain) or public-private solutions (such as Germany's Satcom BW or Luxembourg's GovSat) or make use of specific accredited private providers. GOVSATCOM was been identified as early as 2013 (European Council Conclusions 19–20 December 2013) as a promising field, with the possibility of tangibly contributing to the objectives for a strong, secure and resilient European Union. It is now an integral part of the space strategy for Europe (Space Strategy for Europe COM(2016) 705 final), the European defence action plan (European Defence Action Plan COM(2016) 950 final) and the European Union global strategy.



2.8. The Programme should also allow for the provision of commercial satellite communication services by the private sector. A public-private partnership was assessed in the impact assessment to be the most appropriate implementation model to ensure that the objectives of the Programme could be pursued. It would notably stimulate innovation in all components of the European space industry (large system integrators, independent midcaps, SMEs and start-ups).

2.9. As governments, citizens and EU institutions are becoming increasingly dependent on connectivity, their needs require higher security solutions, low latency<sup>(14)</sup> and higher bandwidth, hence the need to have guaranteed access to resilient solutions through innovative technology, and new industrial trends and approaches. The envisaged system will thus be a technology-setter, as highlighted in the proposal.

2.10. In order to be cost-effective and to capitalise on economies of scale, the Programme should optimise the match between the supply and demand of governmental services.

2.11. In fact, satellite communications provide ubiquitous coverage, complementary to terrestrial networks. They are increasingly handled as a strategic asset, which highlights the growing global need for governmental services ensuring resilient connectivity not only to support their security operations, but also to connect critical infrastructures, facilitate efficient and effective electronic cross-border or cross-sector interaction between European public administrations, businesses and citizens, contribute to the development of a more effective, simplified and user-friendly e-administration at the national, regional and local administration levels<sup>(15)</sup>, and manage crises, as well as support border and maritime surveillance.

2.12. The establishment of the Programme will follow a gradual approach striving for quality. Initial development and deployment could start as of 2023; provision of initial services and in-orbit test of quantum cryptography by 2025; and full deployment with the integrated quantum cryptography allowing full services by 2028. Its total cost is estimated at EUR 6 billion and the funding will come from different sources of the public sector (EU budget, Member States and ESA contributions) and private sector investments. Regarding the EU funding, it does not undermine the implementation of existing space components of the EU Space Regulation, notably Galileo and Copernicus.

### 3. General comments

3.1. The EESC believes that in today's digital world, space-based connectivity is a critical and strategic asset for modern societies. It enables economic power, digital leadership and technological sovereignty, economic competitiveness and societal progress. By giving space actors a more prominent role, the Programme aims to ensure high-quality, secure space-related data and services, which can bring about socio-economic benefits for Europe's citizens and businesses, enhance EU security and autonomy, and strengthen the EU's role as a leader in the space sector, allowing it to compete with other leading space economies, and emerging space-faring nations. Moreover, it is also an important technical tool that allows freedom of speech and free circulation of ideas.

3.2. The EESC considers that secure, accessible and affordable connectivity is not only a prerequisite for the functioning of participatory democracy but also a precondition for the resilient implementation of fundamental rights and an opportunity for increased empowerment of citizens and civil society. European citizens are increasingly reliant on space technology, data and services. This involves, in particular, compliance with the rules on the protection of personal data. Moreover, space plays a growing role in the EU's economic growth, security, and geopolitical weight. In this sense, reliable and secure connectivity can be considered a public good for governments and citizens.

3.3. The EESC encourages the use of a public-private partnership (PPP) as an appropriate implementation model to ensure that the objectives of the Programme can be pursued. The direct involvement of the private sector creates an environment favourable to the further development of high-speed broadband and seamless connectivity throughout Europe. This is done by removing communication dead zones and ensuring cohesion across Member State territories, as well as providing connectivity over geographical areas of strategic interest.

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<sup>(14)</sup> Low latency refers to a minimal delay in the processing of computer data over a network connection. The lower the processing latency, the closer it approaches real-time access. A lower latency network connection is one that experiences very short delay times.

<sup>(15)</sup> Report from the Commission to the European Parliament and the Council. Results of the interim evaluation of the ISA (interoperability solutions for European public administrations) programme, 23 September 2019, COM(2019) 615 final.

3.4. Through a competitive procurement process, the Commission may conclude a concession contract to deliver the solution required and protect the Union and Member States interests. The involvement of industry through such a concession should allow the private partner to complement the Programme infrastructure with additional capabilities through additional own investments.

3.5. In this regard, the EESC underlines that the role of the public sector should be adequately reflected in the future governance of the Programme, with special attention to the security of the infrastructure and careful control of cost, schedule and performance. The Commission will be the programme manager for the establishment and the supervision of the concession. The EU agency of the Space Programme will be entrusted with the provision of the governmental services, and the European Space Agency will be entrusted with the supervision of the development and validation activities. The EESC believes that SMEs are also crucial to innovation and the ecosystem in the emerging new space economy. As such, the development of SME space services should be actively encouraged, as well as their procurement by public authorities and the private sector alike. This would help to create jobs, improve technological skills and boost Europe's competitiveness, which are increasingly important for the EU's twin transitions to a sustainable and digital economy. This would ensure effective and transparent competition, reinforcing the technological autonomy of the EU, through specific requirements related to security, service continuity and reliability.

3.6. The EESC believes that in the procurement procedure, specific criteria for the award of the concession should be elaborated, ensuring the participation of start-ups and SMEs along the whole value chain of the concession, thereby incentivising the development of innovative and disruptive technologies. Where the employment of non-EU suppliers could raise issues from a security and strategic point of view, suitable participation rules should be put in place.

3.7. The EESC believes that SMEs should be encouraged to take advantage of the multiple financing tools at the EU's disposal to invigorate the space ecosystem, as this would help to create jobs, improve technological skills, and boost Europe's industrial competitiveness.

#### 4. Specific comments

4.1. The EESC believes that the strategic sovereignty of the EU and the Member States is mainly based on the technological autonomy and capability of the European industry and the security of satellite communications, especially in a context of growing geopolitical tensions. The EESC therefore strongly supports initiatives to strengthen the industrial and technological sovereignty of the EU Member States.

4.2. The EESC supports the proposal and considers the potential synergies between governmental activities and commercial civil activities as an important opportunity from an economical point, also for the additional services offered to European citizens, in the context of a worldwide increase of public and private investments in space activities.

4.3. The EESC underlines the importance of supporting the competitiveness and innovation capacity of space sector industries within the Union. This will greatly contribute to ensuring Europe's autonomous and affordable access to space in the coming years, while having a critical and profound positive impact on the competitiveness of European launchers' exploitation models.

4.4. The EESC underlines that the Programme should allow telecommunication operators to benefit from the increased capacity and reliable and secure services. In addition, the commercial dimension would allow retail services to reach more private users across the entire EU.

4.5. As for the governance of the Programme (Chapter V of the proposed regulation), it is clear that the main roles in the Programme will be played by four main actors, namely the Commission, the European Union Agency for the Space Programme ("the Agency"), the Member States, and the European Space Agency (ESA).

4.6. In this regard, the EESC firmly believes that it is imperative to have a clear division of tasks, roles and responsibilities, together with proper coordination of the various actors, for the proper functioning of the Programme. Therefore, a precise allocation of responsibilities, on the basis of their demonstrated competence, should also ensure the efficient execution of the Programme in terms of costs and deadlines. Efficient space traffic management is also essential to improve safety, given the increasing amount of debris in space.

4.7. The EESC underlines that cybersecurity of both ground and space infrastructures is key to ensuring the systems operation and resilience.

4.8. The EESC highlights that in order to ensure the competitiveness of the European space industry, the Programme should contribute to the development of advanced skills in space-related fields and support education and training activities, promoting equal opportunities, gender equality and women's empowerment, in order to realise the full potential of Union citizens in that area.

4.9. The EESC underlines that establishing and upgrading the infrastructures may involve many industrial players in several countries, whose work has to be coordinated effectively in order to develop systems which are reliable and fully integrated, with particular reference to security and cybersecurity.

Brussels, 24 June 2022.

*The President*  
*of the Consultative Commission on Industrial Change*  
Pietro Francesco DE LOTTO'

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**Opinion of the European Economic and Social Committee on Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions REPowerEU Plan**

(COM(2022) 230 final)

and

**Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulation (EU) 2021/1060, Regulation (EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814**

(COM(2022) 231 final — 2022/0164(COD))

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Outcome of vote (for/against/abstentions)	220/01/07

## 1. Conclusions and recommendations

1.1. Before going into the content of the REPowerEU Plan, the EESC as the representative of civil society, which is unduly affected by the current dramatic price increases, points out that many of the problems that need to be solved now could have been avoided, or at least limited, if the dependency on energy imports had been reduced — as proposed by the Commission the past years. The EESC recalls the statements in the 2014 EU Energy Security Strategy and the 2015 Energy Union Strategy that the EU remains vulnerable to external energy shocks calling on policy makers at national and EU level to make clear to citizens the choices involved in reducing our dependency on particular fuels, energy suppliers and routes. However, most politicians and large parts of our society have been blinded by the cheap fossil supplies and failed to pursue any precautionary policies. The current situation is the backlash of this negligence. The EESC regrets that it has taken the war in Ukraine and the ensuing distortions in Russian energy delivery to bring attention to this basic energy security issue and trigger the measures proposed in the REPowerEU Plan to ensure independence of import of Russian energy.

1.2. The EESC welcomes the aim of the REPowerEU Plan to make the EU independent of Russian gas and oil supply, and agrees with the four-pillar approach focusing on energy saving, diversifying gas imports, and replacing fossil fuels by accelerating renewables and financing solutions. The EESC takes note of the distinction between short and medium-long-term measures.

1.3. The EESC underlines the need to ensure security of supply at an 'affordable as possible' cost for both consumers and industry, and points out that an energy supply that is essentially based on European renewable energy and low — carbon energy sources would make a significant contribution to an approved energy security.

1.4. The EESC in that context draws attention to the support possibilities offered by the planned Social Climate Fund and — as regards business — the temporary crisis state aid guidelines. The goal must be to facilitate the transition.

1.5. The EESC holds that the level of effort in the Plan must be considered adequate, bearing in mind the urgency of the supply situation, and therefore agrees with the need for flexibility regarding transitional use of fossil and low carbon fuels, coal and nuclear energy. This period has to be kept as short as possible, must not lead to new dependencies and should not harm the efforts to achieve climate neutrality as soon as possible, by 2050 at the latest, bearing in mind that the issue of the status of nuclear energy remains open and currently left to each Member State.

1.6. Given the urgency of the situation and the risk of unforeseen disturbances in Russian energy delivery, the EESC attaches importance to measures that can be implemented at once, in particular very strong energy saving, supported by partnership agreements and early implementation of new initiatives. The EESC draws attention to the risk of the combined economic and social effects of the current crisis putting the democratic system under strain unless adequate solutions are found.

1.7. The EESC supports the proposal to increase the energy efficiency target from 9 % as proposed in the Fit for 55 package to 14 % by 2030, and the general gas saving efforts estimated at 30 % by 2030. The EESC also welcomes the recently-adopted Council Regulation on a coordinated 15 % reduction on gas use during the winter 2022-2023, and underlines that saving capacity varies between Member States. The increased level of the new proposals also demonstrates that it has taken the urgency provoked by the war in Ukraine to take ambition to a new level. The EESC particularly supports early energy saving measures such as saving energy through individual users started by the Commission in partnership with the IEA, market driven measures such as reverse auctions and demand response measures.

1.8. The EESC also urges the co-legislators to follow the Commission's request to include the enhanced energy-saving objective it proposed as part of the Plan in the Fit for 55 package to gain time, which is of essence in the current situation.

1.9. Regarding import diversification, the EESC draws attention to the prospects offered by voluntary common purchase through the EU Energy Platform and new energy partnerships, which are options that can be implemented right away. Nevertheless, the EESC calls on the Commission to develop a geopolitical energy import strategy, also taking into account energy and climate urgencies, before concluding partnerships with non-democratic or politically unstable countries.

1.10. The EESC supports an increase in the share of renewables in the EU energy mix and strongly supports the Commission's request to include the 45 % share proposed in the Plan in the Fit for 55 package.

1.11. In order to achieve these more ambitious goals, a number of technical equipment have to be imported, as the EU no longer has production capacities. For example, solar panels are mainly imported from China. Thus, fossil energies are dependent not only on imports, but also on equipment needed. The EESC calls on all political decision-makers to massively promote the expansion of production sites for renewable energy equipment, including battery storage, in Europe. The EU Solar Industry Alliance could be seen as a first step.

1.12. However, massive investment is needed to increase the share of renewables in the EU's energy mix. That said, the share of public investment in research and development of decarbonisation technologies is lower in the EU than in other major economies, jeopardising the EU's competitiveness in key future technologies. The EESC notes that the green transition and security of supply need enough of the right mix of renewables for electrification and for the production of green hydrogen to succeed, storage technologies to be developed and the opportunities provided by digitalisation to be fully exploited. There is therefore still a significant need for research and development investment.

1.13. The EESC underlines the added value of the proposals regarding rapid permitting procedures for renewables projects and the definition of so-called 'go to' areas for such projects. Again, the EESC underscores the added value of following the recommendations to apply those principles early on.

1.14. The EESC in this context draws attention to the importance of domestic production of renewables, including hydrogen, but also underlines that the fact that some of the prioritised renewables, such as hydrogen, may not be immediately available in sufficient quantity and/or at affordable prices. To be able to dispense with the transition solutions set out in 1.3 above in the medium term, it is important to design a European decarbonisation policy with a special focus on hard-to-abate areas (industries dependent on high heat, but also tenants in multi-apartment buildings and transport). Convenient instruments are already available (e.g. Carbon Contracts for Difference and collective self-consumption). These instruments need to be deployed as fast as possible bearing in mind social effects and the need to ensure international competitiveness of business.

1.15. Regarding the potential for developing renewables, the EESC draws attention to the potential of self-consumption, renewable energy communities and energy sharing, which is reflected in the Plan but unfortunately without explaining how relevant barriers to such enterprises are to be removed.

1.16. The EESC also underlines the importance of national patterns of behaviour and traditions that influence choices regarding sustainable energy mixes. The EESC supports greater use of available resources to develop renewable energies. In view of the diverging national choices, versatility should be encouraged and a wide variety of renewable and low carbon energy sources should therefore be used that economically and ecologically fit into a new energy system based primarily on European energy sources. The EESC takes note that the status of nuclear energy so far remains open and currently is left to the appreciation of each Member State.

1.17. The EESC agrees that renewable energies, storage and distribution grids should be treated as overriding in the public interest, but would have liked to see the concrete implications of this better explained. In previous opinions, the EESC has already pointed out the high potential that e-cars have as 'strategic electricity storage'. Regrettably, the plan fails to discuss this as well.

1.18. Regarding investment, the EESC points to the need to focus more on the possible positive effects on employment and regional economies, and to the importance of linking energy and climate-related aspects to social and regional cohesion.

1.19. The EESC regrets that the Plan does not adequately address refinancing of the public funding that could act as seed money to attract private investment in energy independence. One possibility could be earmarked dedicated tax on so-called 'windfall profits' from high oil and gas prices. The EESC takes note of the sensitive character of such a measure, given the need to avoid discouraging investment in renewable and low carbon energy sources.

1.20. While the recent Council Regulation on coordinated demand reduction measures for gas and the accompanying Communication Save gas for a safe winter are a step in the right direction to improve crisis preparedness, the EESC would like to see a more general crisis framework suited to tackling a crisis of the magnitude that the EU has on its hands today due to the war in Ukraine.

1.21. The EESC takes note of the recent remarks by the Commission President on the inadequacy of the current structure of the EU energy market and the need to reform the electricity market. The EESC welcomes the intention to explore options for optimising the electricity market but underlines that any proposal must be preceded by an exhaustive impact assessment.



1.22. The Plan, which in any case will require substantial funding, will be very difficult to finance within the current financial framework. In this connection, the EESC stresses the importance of introducing a golden rule for investments in the socio/ecological behaviour of our society <sup>(1)</sup>.

## 2. Background

2.1. In its REPowerEU <sup>(2)</sup> the European Commission proposes a comprehensive set of measures to reduce EU dependence on Russian fossil fuels by accelerating clean transition and a joint effort to get a more resilient energy system and a true Energy Union. The plan comes in four pillars.

2.2. The first pillar is saving energy: a further 5 % reduction in energy consumption by 2030 beyond the 9 % proposed in the Fit for 55 package through better energy efficiency <sup>(3)</sup>. As to gas consumption, the Fit for 55 package will achieve an overall reduction of 30 % by 2030. The Commission has asked the co-legislators to include this proposal in the Fit for 55 package before it is adopted. As an immediate short-term measure, the Commission shall start an energy-saving campaign with the International Energy Agency (IEA) targeting individuals' and companies' individual choices and suggesting that Member States make full use of available tools, including enhanced implementation and updating of the National Energy and Climate Plans (NECPs) <sup>(4)</sup>. The EESC notes the recently adopted a Council Regulation prescribing a collective 15 % reduction of gas use during the winter 2022–2023 based on the last five years average <sup>(5)</sup>. The Regulation is accompanied by a Communication with suggestions for implementation <sup>(6)</sup>.

2.3. The second pillar seeks reduction of the dependence on Russian gas by 2/3 by the end of this year and end to it by 2027 through diversified gas imports; higher LNG imports (+50 bcm) from the US, Egypt, Israel, and Sub-Saharan African countries and pipeline imports from non-Russian suppliers (+10 bcm). Further, the EU Energy Platform, established in April, will pool demand, facilitate voluntary common purchase, optimise the use of infrastructure and establish long-term international partnerships. Natural gas production within the EU will be increased; in the medium term, alternatives like biomethane and renewable hydrogen will be deployed. Diversification also includes nuclear fuel where some Member States currently depend on Russian sources.

2.4. The third pillar proposes substituting fossil fuels and accelerating Europe's clean energy transition: first, the Renewable Energy Directive target is increased from 40 to 45 % by 2030. Key technologies such as solar (target of over 320 GW of installed solar photovoltaic by 2025 (doubles the 2022 capacity), 600GW by 2030; EU Solar Strategy, new European Solar Rooftop Initiative; wind (acceleration of permitting, for example through so-called go-to areas), doubling the deployment of heat pumps to 10 million units over the next 5 years) and electrolysers are focused. The co-legislators are asked to align the sub-targets for renewable fuels of non-biological origin under the RED (75 % industry, 5 % transport), accelerate hydrogen by doubling the number of 'hydrogen valleys', finalise the assessment of Important Projects of Common European Interest (IPCEI) on H<sub>2</sub> by the summer to build up the respective infrastructure to produce, import and transport 20 million tonnes of H<sub>2</sub> by 2030 <sup>(7)</sup>. New hydrogen partnerships (with the Mediterranean, Ukraine) shall be established. Biomethane production shall be increased to 35 bcm by 2030. Conversion of existing biogas installations, will require investments of EUR 37 billion over the period. To boost electrification and the deployment of H<sub>2</sub> in industry, the Commission will roll out carbon contracts for difference and dedicated REPowerEU windows under the Innovation Fund and set up an EU Solar Industry Alliance. There is also a focus on biomass and agricultural and forest residues. The Commission asks the co-legislators to swiftly adopt pending proposals on alternative fuels and other transport-related files supporting green mobility. A greening freight transport initiative is planned in 2023. The Commission points to the need to accelerate permitting procedures also by early application of pending proposals.

<sup>(1)</sup> EESC Opinion OJ C 105, 4.3.2022, p. 11.

<sup>(2)</sup> COM(2022) 230 final.

<sup>(3)</sup> COM(2022) 222 final.

<sup>(4)</sup> COM(2022) 240 final.

<sup>(5)</sup> Council Document 11625/22.

<sup>(6)</sup> COM(2022) 360 final.

<sup>(7)</sup> COM(2022) 230 p. 7 and SWD(2022) p. 26.



2.5. The last pillar addresses smart investments: A further EUR 210 billion is needed between now and 2027, on top of the Fit for 55 needs. Financing LNG and pipeline gas from other suppliers, requires EUR 10 bn by 2030. Another EUR 29 billion of investments are needed in the power grid by 2030. To help finance these investments the Commission focuses on the Recovery and Resilience Plans, the auctioning of Emissions Trading System certificates, funds from cohesion policy, the Common Agricultural Policy, the Connecting Europe Facility, the InvestEU Programme, the Innovation Fund, and tax measures.

2.6. The Commission has presented a Regulation amending Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility and Decision (EU) 2015/1814, Directive 2003/87/EC and Regulation (EU) 2021/1060 to enable the use of the facility towards the objectives of the REPowerEU plan.

2.7. In general, it may be necessary to continue to use oil, other fossil fuels and coal for a transition period. There is a role for nuclear energy as well.

### 3. General comments

3.1. Before going into the content of the REPowerEU Plan, the EESC as the representative of civil society, which is unduly affected by the current dramatic price increases, points out that many of the problems that need to be solved now could have been avoided, or at least limited, if the dependency on energy imports had been reduced — as proposed the Commission in the past years. The EESC recalls the statements in the 2014 EU Energy Security Strategy and the 2015 Energy Union Strategy that the EU remains vulnerable to external energy shocks calling on policy makers at national and EU level to make clear to citizens the choices involved in reducing our dependency on particular fuels, energy suppliers and routes. However, most politicians and large parts of our society have been blinded by the cheap fossil supplies and failed to pursue any precautionary policies. The current situation is the backlash of this negligence. The EESC regrets that it has taken the war in Ukraine and the ensuing distortions in Russian energy delivery to bring attention to this basic energy security issue and trigger the measures proposed in the REPowerEU Plan to ensure independence of import of Russian energy.

3.2. One effect of the atrocities of Russia against the Ukrainian people are sanctions against imports of Russian oil and gas and cuts in Russian energy exports to some EU Member States. It is therefore necessary to rapidly reduce energy imports from Russia. The EESC fully supports all initiatives that pursue this target. The goal must be to phase out all energy imports from Russia as soon as possible, ideally within the next three years.

3.3. The EESC therefore fully supports the REPowerEU plan in principle. It sets the right target — ending Europe's dependency on Russian energy imports as soon as possible including an appropriate set of short- and medium-term actions to promote this target.

3.4. The situation is very dramatic — particularly in an international perspective. As long as Europe imports gas and oil from Russia, Europe contribute to Putin's war of aggression. Europe needs Russian gas to keep its industry running and heat the homes of EU citizens the diplomatic position of the EU is weakened. While Russia can use the supply it grants to Europe to manipulate gas wholesale prices, European citizens and industry will suffer from high prices and fundamental economic repercussions must be feared in case the Russian gas supply is completely cut off. Hence the current situation has negative effects both on prices and security of supply, and both business and consumers become hostages. Indeed, some enterprises have already been forced to curtail or stop production owing to high energy prices, with a negative effect also on employment. At the same time, households often do not know how to pay their energy bills. This mixed situation also puts a strain on the EU's democratic system and must be resolved as soon as possible.

3.5. It must be questioned whether the REPowerEU is ambitious enough. Bearing in mind that the main objective is phasing out dependence on imports of Russian gas and oil and reaching EU energy independence on Russia, essentially by increasing the share of renewables, improved energy efficiency and alternative imports, but also, if needed, by resorting to fossil, low carbon and coal energy as transitory solutions for a very short time, the effort must be considered as adequate. However, it must be asked: is Europe — especially the Member States — doing everything it can to end the Russian gas supply as soon as possible? With a view to REPowerEU only, and considering what we know so far about the results of the legislative process regarding the Fit for 55 package, this seems questionable.

3.6. Only two fully convincing options will both make an immediate contribution to replacing natural gas in the long run and be fully in line with the strategic goals of Fit for 55: ramping up renewable energies on a huge scale and massively reducing demand.

3.7. Due to the cost and time needed to develop the main medium- to long-term solutions, the EESC underscores the importance of measures that can be undertaken immediately, such as choices by individuals and enterprises, voluntary common purchases through the EU Energy Platform, forming new energy partnerships with reliable supporters, gas storage, following recommendations for early application of rapid authorisation procedures, introducing 'go to' areas, and increased production of biomethanol. The co-legislators could act immediately on the Commission's request to include the objectives of increasing levels of renewables from 40 to 45 %, enhancing energy efficiency by a further 5 % and improving energy efficiency for buildings — set out in separate proposals — in the Fit for 55 package to gain time. The co-legislators could also act on the request to adopt relevant proposals quickly.

3.8. The EESC also welcomes the recent Council Regulation on coordinated reduction of gas use during the winter 2022-2023.

3.9. Given the extreme urgency of the situation, the EESC also supports the way the REPowerEU plan caters for the possible need to resort to fossil and low carbon fuels and coal for a transition period, which must be kept as short as possible in order to avoid exhausting these sources. The EESC also takes favourable note that so far the issue of nuclear energy is left to each Member State.

3.10. The EESC welcomes the establishment of a Social Climate Fund to mitigate the negative social and economic impacts and to provide funding to Member States to support their measures to address the social impacts on financially vulnerable households, micro-enterprises and road transport users. At the same time, the EESC points out that the proposed financial envelope for the Social Climate Fund will not provide sufficient financial support to responsibly address the socio-economic impacts in the course of achieving the climate and mobility goals. A correspondingly high budget is therefore needed. The EESC also points out that the capacity of Member States to attract and manage private funds varies.

3.11. Member States should also support citizens and, in particular, financially weak households in both the short term, for the next two winters, and the long term.

3.12. As for energy saving, the Commission targets an immediate 5 % reduction in gas (around 13 bcm) and oil (around 16 mto) consumption. This is far from being ambitious and does not correspond to the dimension of the crisis triggered by the war against Ukraine. Still, political reality is that the Energy Council of 27 June 2022 accepted the reduction level of 9 % proposed by the Commission in 2021, paying no attention to the suggestions in the REPowerEU Plan to include the proposal in the Fit for 55 package.

3.13. In Germany, already between January and May 2022, gas consumption was reduced by almost 15 % <sup>(8)</sup>, although according to market studies residential consumers could even save more. This clearly shows that the situation and the willingness or capacity to act may be very different in different Member States; possibly measures that leave room for this fact have the best chance of succeeding, as demonstrated by the Council Regulation on Coordinated demand reduction measures for gas, adopted on 26 July 2022, which also takes due account of the needs of industry.

3.14. Energy campaigns should not be just calls for energy saving but should cover measures that have a direct impact such as reverse auctions, meaning that a central authority — either the regulation authority or the system operator — organises a tender for industrial consumers that can place their bid for voluntary gas curtailment based on their specific costs. This could help reach the respective gas storage filling levels and make it more likely that, in a scenario without a Russian gas supply, the EU would come through the winter without too much social and economic damage. The EESC draws attention to the potential of demand response as a means to reduce demand.

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<sup>(8)</sup> Industrie spart Gas, Sparpotenzial bei Verbrauchern nicht gehoben (handelsblatt.com).

3.15. With regard to renewable energies, the overarching aim set by the Commission of an enhanced level of 45 % renewables, instead of the 40 % proposed in 2021 seems so far to have gone unheeded, at least by the Energy Council of 27 June 2022, despite the Commission's request to include it in the Fit for 55 package. The EESC regrets this as it delays the impact of the desired development. Nevertheless, the EESC welcomes the separate proposal made in May 2022 to accelerate permission procedures for renewables projects and introduce dedicated 'go to' areas for such projects in order to remove a major obstacle to the rapid deployment of renewables, in particular solar and wind energy projects. The EESC therefore also welcomes as such the recommendation made in the REPowerEU Communication that rapid authorisation procedures and 'go to' areas be implemented immediately, pending the acceptance of the Commission proposal.

3.16. In order to achieve these more ambitious goals, a number of technological equipment have to be imported, as the EU no longer has production capacities; for example, solar panels are mainly imported from China. Thus, fossil energies are dependent not only on imports, but also on equipment needed. The EESC calls on all political decision-makers to massively promote the expansion of production sites for renewable energy equipment in Europe. The EU Solar Industry Alliance could be seen as a first step.

3.17. However, massive investment is needed to increase the share of renewables in the EU's energy mix. That said, the share of public investment in research and development of decarbonisation technologies is lower in the EU than in other major economies, jeopardising the EU's competitiveness in key future technologies. The EESC notes that the green transition and security of supply need enough of the right mix of renewables for electrification and for the production of green hydrogen to succeed, storage technologies to be developed, and the opportunities provided by digitalisation to be fully exploited making concepts like virtual power plants finally available. There is therefore still a significant need for research and development investment.

3.18. Concepts like self-consumption, renewable energy communities and energy sharing, broadly acknowledged in the Clean Energy Package and always supported by the EESC are important for ramping up RES. Massive investment needs must be covered. Citizens are willing to invest in self- or community consumption, if they understand that this is also beneficial for them. They should feel encouraged rather than deterred. In many Member States the latter is still the case. The EU solar strategy adjacent to the REPowerEU plan acknowledges this and replicates in this regard the RED 2 without detailing how to force Member States finally to abolish relevant barriers.

3.19. To define renewable energies and storage as being in the overriding public interest makes sense, but the direct implication remains unclear. The distribution grid connecting the respective installations with the consumer also needs to be recognised as an overriding public interest.

3.20. Even with massive improvements in the reduction of energy demand (see points 3.7 to 3.9) and ramping up renewables (see points 3.10 to 3.12) it is evident that the EU will not be able to reach energy autarky neither in the short nor in the medium run. Autarky seems possible in the long run but whether this is desired or not still seems an open question. The bad experience with Russian dependency requires a well-thought-out approach in choosing with which countries / regions to partner in the future. While urgency requires fast decisions with regard to LNG and (green) H<sub>2</sub> imports, long-binding decisions must be avoided without a comprehensive risk analysis. The EESC calls on the Commission to develop a geopolitical energy import strategy before proposing energy partnerships with non-democratic or politically unstable countries; taking into account climate mitigation and energy urgencies.

3.21. LNG seems a solution for many Member States, but its CO<sub>2</sub>-footprint makes it a bridge technology and the bridge must be as short as possible. Within the next 20 years all newly built LNG infrastructure must be either removed or capable of transporting and distributing green H<sub>2</sub>. This must be a fundamental principle for all investment decisions to be made within the next months. H<sub>2</sub> readiness is often used as classification but in reality, its meaning is highly unclear. As with the definition of green H<sub>2</sub> in the respective Delegated Act the Commission needs to define H<sub>2</sub> readiness to combine investment security with a clear climate goal. The Taxonomy should be accordingly amended.

3.22. This shows the importance of taking in account national patterns of behaviour and national approaches when considering sustainable energy mixes. The EESC notes that the Commission briefly mentions the role of nuclear power in its REPowerEU plan, bearing in mind that this option is the sole responsibility of the Member States. The EESC supports more use of the resources available in the EU, including as a priority, as proposed by the Commission, a rapid and massive expansion of renewable energies. Versatile energy production options contribute to the security of energy supply. In addition to wind and solar energy, the variety of low-carbon energy sources should therefore be used that fit into a new energy system based primarily on fluctuating European energy sources.

3.23. The pillar on smart investments sets the right priorities. However, the EESC reiterates that with the right approach a carbon-free, decentralised and digitalised energy supply structure can have massive positive effects on jobs and regional economies (see TEN/660). In the current crisis the European Union needs a general energy approach that combines the specific energy- and climate-related topics with the objectives in the policy for social and regional cohesion. This aspect is widely ignored in the Solar Strategy that the Commission presented together with the REPowerEU plan.

3.24. The Commission rightly points out that public investments can and need to trigger private money. But REPowerEU does not cover the refinancing of the respective public funds. The abolition of subsidies for fossil resources would be one approach for how to organise it; the taxation of windfall profits, that have their origin in the major oil and gas crisis and find their expression in enormous extra profits especially for big oil companies, would be another one. The EESC proposes that these profits be skimmed off with the help of taxes and passed on as financial compensation to energy consumers, e.g. financially weaker households or energy-intensive companies, and used for the expansion of renewable energy production and the necessary grid infrastructure, especially as it is already being discussed or implemented in some Member States. The EESC takes the view that in order not to discourage energy companies from investing in low-carbon solutions, such taxation should be defined very sensitive. The EESC calls on the Commission to propose respective measures without any further time delay.

3.25. In line with the probable usefulness of promoting solutions adapted to local circumstances, the EESC fully endorses the Commission proposal to make use of the Recovery and Resilience Plans and the Recovery and Resilience Facility to help implement the REPowerEU Plan.

3.26. The Plan, which in any case will require substantial funding, will be very difficult to finance within the current financial framework. In this connection, the EESC stresses the importance of introducing a golden rule for investments in the socio/ecological behaviour of our society<sup>(9)</sup>.

#### 4. Specific comments

4.1. Biomethane can play a role in reducing/ending Europe's dependence on Russian gas. However, for its production, including in an attempt to avoid conflicts with bio-diversity, existing biogas installations should in particular be upgraded. Biogas plants are currently often only used to produce electricity in the base load range, i.e. around the clock. The resulting heat is rarely used. Such concepts are inefficient. Either the biogas obtained should be processed and fed directly into the gas network, or it should also be used for heat supply in the form of local combined heat and power plants. Smaller gas storage facilities could help to produce electricity when there is a lack of wind or sun. Investments in retrofitting existing systems are necessary. The communication mentions respective incentives, but details are missing and need to follow at once.

4.2. As pointed out in point 3.14, LNG will need to play a role in the short and medium run. The REPowerEU Plan promises assessments and planning, voluntary joint purchases and greater coordination. In the meantime, however, individual Member States are already active. European solidarity is needed, and the Commission needs to make sure that no Member State is acting against the interest of any other as provided in the Security of Gas Supply Regulation (EU) 2017/1938.

4.3. The Security of Gas Supply Regulation also provides a comprehensive European solidarity regime in case of a gas emergency. While the recent Council Regulation on coordinated demand reduction measures for gas and the accompanying Communication Save gas for a safe winter are a step in the right direction to improve crisis preparedness, the EESC would like to see a more general crisis framework geared to tackling a crisis of the magnitude that the EU has on its hands today due to the war in Ukraine.

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<sup>(9)</sup> EESC Opinion OJ C 105, 4.3.2022, p. 11.

4.4. Power-to-heat and heat pumps, also in the context of district heating appears to become the most promising approach to replace natural gas in the heating sector. However, there are numerous barriers (starting from the skilled workers that are needed and ending with social questions especially in neighbourhoods with a high tenant share). The Communication does not consider these points. A more detailed and also more critical look involving civil society is needed.

4.5. The massive increase in energy prices has exposed the weaknesses of the energy market. Commission President von der Leyen herself stated that the current electricity market system no longer works and needs to be reformed. Fundamental questions need to be asked about the energy future, ensuring an environmentally friendly, affordable and reliable energy supply and the right to energy. The design and its regulation must be adapted to the new realities of the prevailing renewable energies and create the necessary conditions for individual players as well as strengthening adequate consumer protection. The EESC welcomes the Commission's intention to explore options for optimising electricity market design and strongly supports market assessments that analyse the behaviour of all potential actors in the energy market and energy market design. In any case, the EESC underscores the importance of an exhaustive impact assessment prior to any proposals. It draws attention to the urgent need to tackle the high electricity prices, including the bundling of electricity and gas prices, which is having a negative impact on the economies of Member States.

4.6. Furthermore, the EESC points out that systematic forecasting of the rising energy demand by area and type of energy, taking into account the transformation of energy types, as well as conceptual planning of the architecture of the future energy system, are increasingly necessary in order to ensure that investments are properly placed and security of supply is guaranteed. The Commission should draw up a corresponding overview and communicate it widely, as there is often a lack of clarity in society about the extent to which Europe can supply itself with energy.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on Temporary airport slot relief due to COVID-19**

[COM(2022) 334 final]

(2022/C 486/26)

Rapporteur-general: **Thomas KROPP**

Referral	European Commission, 12.7.2022 European Parliament, 19.7.2022 Council, 4.8.2022
Legal basis	Article 100(2) and Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Transport, Energy, Infrastructure and the Information Society
Adopted at plenary	21.9.2022
Plenary session No	572
Outcome of vote (for/against/abstentions)	143/1/2

**1. Conclusions and recommendations**

1.1 The EESC notes that aviation provides intra-EU and international connectivity, which is an essential prerequisite for trade and tourism, and therefore also for European economic prosperity. The aviation sector is still reeling under the combined effects of several global crises, such as the COVID-19 pandemic, the airspace closure of several European trading partners (notably China), the ongoing war in Ukraine, soaring inflation, the increasing probability of a global recession and the lack of labour forces in several economic sectors, not least in aviation itself. Other regions of the world are carefully monitoring how European aviation manages these challenges. Neighbouring hubs in Istanbul, Dubai, Doha and London will benefit from the stifled competitiveness of European hubs and European international network carriers. The EESC has therefore consistently maintained that any and all regulatory measures affecting aviation must not affect Europe's international competitiveness. It would be damaging for the environment and for the labour forces employed in Europe for passenger flows to be re-routed away from international connections in Europe and flown to international destinations via non-EU hubs. The proposed amendments to the Slot Regulation must also be seen in this broader context.

1.2 Regulation (EEC) No 95/93<sup>(1)</sup> determines the procedures and rules for the allocation of slots at EU airports. Article 10 of this Regulation specifies that air carriers must use at least 80 % of their allocated slots within a given scheduling period to maintain them for the corresponding scheduling period of the following year (Slot Regulation).

1.3 In light of the unexpected scope and duration of the pandemic, the Commission has modified the Slot Regulation twice since its outbreak to effectively suspend the use-it-or-lose-it provision, and to grant the Commission delegated powers to cater for unexpected further developments. These slot relief measures will expire on 29 October 2022, with the Commission's delegated powers having already expired on 21 February 2022. A further review and additional adjustments are now required as a matter of urgency to reflect market reality.

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<sup>(1)</sup> Council Regulation (EEC) No 95/93 of 18 January 1993 on common rules for the allocation of slots at Community airports (OJ L 14, 22.1.1993, p. 1).



1.4 Based on EUROCONTROL forecasts, the Commission assumes that the aviation market will gradually recover to pre-pandemic levels, however this assumption could be unduly optimistic <sup>(2)</sup>. The EESC believes that the proposal, whilst well intended, lacks the necessary safeguards to avoid unintended setbacks for Europe's competitiveness.

1.5 The EESC welcomes the thrust of this new Commission proposal to maintain as much competitiveness in the aviation market as possible. However, the Commission's market analysis, as well as its forecasted market development in the coming three seasons, are not sufficiently robust to explain or even justify the suggested return to the 80:20 rule. The EESC does not share the Commission's reasoning that the aviation market is returning to 'normal'. In light of the Commission's data, a lower threshold, such as 70:30 for example, would be more appropriate until the market stabilises.

1.6 The EESC welcomes the Commission's proposal to extend the scope of justified non-use of slots (JNUS) to also cover political unrest and natural disasters if these circumstances lead to clearly described restrictions on aviation. However, the EESC is not convinced the proposed modifications to the current JNUS are warranted. The procedures envisaged by the Commission add an unnecessary level of complexity. In fact, the deviations from the current procedures can no longer be qualified as emergency measures, and thus create legal uncertainties at a time when the entire sector is in dire need of a stable regulatory framework.

1.7 The EESC supports the proposal to enhance the transparency of slot allocation by strengthening the role of the European Airport Coordinators Association, and by introducing an obligation for coordinators to publish the destinations to which the exceptions apply.

1.8 The EESC welcomes the proposed measures to mitigate the ongoing and foreseeable effects of the Russian military aggression in Ukraine on European aviation. However, the Commission's assumptions that normal provisions can be implemented four months after the end of hostilities appears unduly optimistic.

1.9 Notwithstanding the EESC's full support of the Commission's intentions, the EESC believes that despite the evident time constraints, an impact assessment (IA) would have been warranted to better assess the implications of the proposed changes to the existing Slot Regulation. In the absence of such substantiation through an IA, the Commission relies on EUROCONTROL forecasts which do not necessarily reflect the complexity of current market developments.

1.10 An IA is not only necessary to justify changes to the existing Slot Regulation. As the EESC has already pointed out <sup>(3)</sup>, EU measures should be closely coordinated with the Worldwide Airport Slot Board (WASB) to avoid different approaches to the same issue in different regions of the world.

1.11 The ongoing global crises must be seen in the context of their cumulative effect on international aviation. Given the difficulties in containing these effects for the time being, the EESC believes that the Commission should review the proposal with the objective of minimising modifications to the existing provisions to maintain their character as 'emergency legislation'. The current emergency has by no means abated, and thus the emergency provisions should be prolonged at least for the period envisaged by the Commission, but it appears premature to plan modifications such as those suggested by the Commission.

## 2. General comments

2.1 As the Commission outlines in its explanatory memorandum, the regulatory challenge in the context of the Slot Regulation is to ensure that grandfathered slots be used. The Commission amended the Regulation twice to adjust the use-it-or-lose-it rule. The Commission also received delegated powers to amend the slot use threshold in function of the persisting decline in demand.

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<sup>(2)</sup> Publication of German airline Lufthansa's intention to further reduce capacity in view of the ongoing crisis: <https://www.airliners.de/lufthansa-streicht-winterflugplan/65956>

<sup>(3)</sup> OJ C 123, 9.4.2021, p. 37, see point 1.5.



2.2 These slot relief measures will expire on 29 October 2022, with the Commission's delegated powers having already expired on 21 February 2022. With respect to the basic use-it-or-lose-it rule, the Commission now proposes re-establishing the standard slot use rate of 80 % as of 29 October 2022. The reasoning given was that in June 2022, EUROCONTROL forecast that in the 2022-2023 winter season, traffic volumes would return to 90 % of 2019 levels.

2.3 The EESC is not convinced by this reasoning. As a consequence of the Russian military aggression against Ukraine, military flights have increased significantly, as have re-routed overflights, neither of which are relevant for slot allocation. Furthermore, it is necessary to differentiate between the air cargo movements, which have not decreased significantly over the crisis period, and passenger traffic movements, which did decrease. Within this passenger market, a further differentiation is required: as a result of the EU COVID-19 pass, intra-European traffic has recovered far more quickly to pre-pandemic levels, however domestic air traffic and long-haul traffic are in different stages of recovery. Business traffic is expected to recover far more slowly than leisure traffic<sup>(4)</sup>. It is by no means a given that leisure traffic will recover consistently; some of this growth can be attributed to pent-up demand for vacations after two years of COVID-19. The major European network carriers have not yet reintroduced their large long-haul aircraft Airbus 380 into their respective fleets, precisely because airlines are faced with high fuel costs and because they do not expect significant and consistent increases in traffic demand. Data provided by the stakeholders indicate that traffic movements are expected to increase to 90 % of 2019 levels, but passenger demand only to 78 %. If the aircraft occupancy rate is lower, it can be expected that airlines will, for instance, combine multiple flights a day in order to maintain profitable flights<sup>(5)</sup>. Demand will be affected by rising inflation rates and increasing risks of recession in several countries. Forecasts should therefore not be based on the regions of best recovery, but should reflect particularly hard-hit sub-markets as well.

2.4 These factors lead the EESC to believe that the aviation market recovery may be more arduous than assumed by the Commission. Market segments are still recovering at different speeds: cargo 6 % relative to 2019 levels; low-cost carriers - 9 %; and network carriers at 21 %. This is all the more relevant as the thresholds refer to entire slot series, meaning that the series of slots (such as peak flights) need to be above the 80 % threshold. In pre-pandemic periods, the slot use rate was at 95 %, with the lowest slot use rate at 80 %. If EUROCONTROL forecast an average slot use rate of 90 %, then it must be assumed that the slot series will not (on average) reach 80 %. For these reasons, it is much too premature to return to the 80:20 thresholds. It appears more appropriate to adopt a 70:30 ratio until more robust data is available to substantiate a sustainable market recovery. It should also be noted that the problems facing European airports clearly demonstrate that the effects of the COVID-19 pandemic have not yet been absorbed. Major EU hubs such as Frankfurt, and non-EU hubs such as London Heathrow, have capped flights to and from these airports, leading to massive flight cancellations in an attempt to ease the strain on airline operations at these airports. Such strains have been caused by a number of different variables, such as staff shortages. This is indicative of the fact that pre-pandemic thresholds for the slot use rate cannot yet be reached<sup>(6)</sup>.

2.5 A level of 70:30 would be in line with the thresholds and rationale adopted by the UK government<sup>(7)</sup>. Although it was heavily criticised by the airline sector, the EESC feels that it would strike a substantiated balance between returning to the status quo ante, while acknowledging that an (albeit reduced) level of slot protection is still required in light of the ongoing severe challenges facing the sector. Furthermore, it aligns the EU Slot Regulation threshold with that of neighbouring countries' policies, and levels the playing field for EU carrier hubs and London Heathrow Airport, Europe's largest international hub.

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<sup>(4)</sup> <https://www.airliners.de/prognose-globaler-geschaeftsreiseverkehr-erholt-deutlich/65958>

<sup>(5)</sup> Publication of passenger numbers and forecasts at Munich Airport indicating that recovery to pre-pandemic traffic volumes will take longer than previously assumed: <https://www.airliners.de/wachsendes-passagieraufkommen-bayerns-flughaefen-weit-entfernt-corona-niveau/65950>

<sup>(6)</sup> The labour shortage at key airports is mentioned by the Commission in the explanatory memorandum, however the Commission considers this to be a short-term phenomenon. This is questionable, as the labour shortage affects many economic sectors and not only aviation. There is no reason to believe that this will be resolved in aviation in the near future.

<sup>(7)</sup> On 24 January 2022 the UK government adjusted the slot use ratio to 70:30 beginning 27 March 2022 as a step toward normal rules, while protecting the sector against future uncertainty, as stated by UK Transport Secretary Grant Shapps.

2.6 Additionally, the Commission proposes that during the period from 29 October 2022 to 26 March 2024, it may, at any time, independently adjust the slot use rate per delegated act between 0 % and 70 %, on the condition that EUROCONTROL data show that the weekly air traffic over four consecutive weeks falls below 80 % compared to the corresponding weeks in 2019, and that the reduction in traffic is likely to persist. The Commission also proposes that if public authorities introduce restrictions intended to address any epidemiological situation, political unrest or natural disasters, and only when these have a detrimental effect on air traffic, airlines may benefit from a 'justified non-use of slots' (JNUS).

2.7 The EESC supports the Commission in its efforts to ensure that it can flexibly and transparently use delegated acts in clearly defined exceptional circumstances to adapt the calculation of the slot use rates, and thereby adjust the thresholds for slot protection. However, the new draft falls short of this objective in several respects.

2.7.1 Contrary to the Commission, the EESC believes airlines should be able to benefit from JNUS exceptions in cases of public recommendations against travel. Even if travel warnings have no immediate legal impact, they arguably affect demand for air travel, and this should be reflected appropriately.

2.7.2 Furthermore, the EESC believes that the requirement to monitor weekly air traffic flows for four consecutive weeks before any remedial action can be taken is unduly burdensome and could delay regulatory interventions unnecessarily. An unsubstantiated four-week monitoring phase appears arbitrary. It is far more important to ensure transparency of the decision-making process.

2.7.3 The EESC recommends that the JNUS rule be applicable at the airport of departure and arrival; the two are intrinsically linked as an airport pair in re-establishing the previous slot portfolio on given routes. The Commission currently does not provide for this as a mandatory requirement.

2.7.4 The Commission has not sufficiently substantiated why the calculation of the slot use rate should be modified: Article 10.4 of the Slot Regulation provides for protected slots being calculated as used slots, whereas the Commission now proposes that these be ignored. The Commission assumes, without further proof, that the normal slot rules can be reinstated 16 weeks after re-opening Ukrainian airspace. This appears unduly optimistic in light of the ongoing hostilities, the degree of infrastructure destruction, and the uncertainties pertaining to the content and robustness of an agreement between the two sides. 16 weeks appears to be an arbitrary figure which should not be the base of a regulatory decision to 'return to normal'.

2.8 The EESC has consistently advocated that the Commission seek to align the Slot Regulation — to the greatest degree possible — with international practices and policies. All relevant stakeholders participate in consultations on how to adapt slot regulations to crises which the market faces.

2.9 The EESC welcomes the improvements suggested by the Commission on the manner in which the slot coordinators cooperate. Improved transparency in the process avoids unnecessary confusion among all market players.

Brussels, 21 September 2022.

*The President*  
*of the European Economic and Social Committee*  
Christa SCHWENG

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**Opinion of the European Economic and Social Committee on Geopolitical impact of the energy transition**

**[JOIN(2022) 23 final]**

(2022/C 486/27)

Rapporteur: **Tomasz Andrzej WRÓBLEWSKI (PL, Gr. I)**

Co-rapporteur: **Ioannis VARDAKASTANIS (EL, Gr. III)**

Referral	28.6.2022
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	Referral
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Plenary session No	572
Outcome of vote	
(for/against/abstentions)	229/1/6

## 1. Conclusions and recommendations

1.1. 2022 will go down in history as a year of profound geopolitical and energy-related changes around the world. The EESC commends the efforts of the European Commission and individual Member States, which have accelerated the process of gaining independence from Russian energy supplies. The EESC believes that, given the dynamics of the war in Ukraine, it is nevertheless necessary to accelerate the process by imposing a strict embargo, which must involve the speedy development of alternative clean energy sources.

1.2. This opinion takes account of the referral regarding communication **JOIN(2022)23: EU external energy engagement in a changing world**, which was jointly published by the European Commission's Directorate-General for Energy and by the High Representative of the Union for Foreign Affairs and Security Policy on 18 May 2022.

1.3. The EESC welcomes the fact that Europe remains at the forefront of the energy transition, but points out that changes within the EU are not sufficient to offset the effects of global emissions and that it is in our clear interest, both in terms of climate change and economic expansion to ensure sustainable global development, that action is taken internationally.

1.4. The EESC welcomes a number of EU initiatives that either strengthen the EU's internal resilience, such as REPowerEU, or those such as the Just Energy Transition Partnership, the Global Gateway and the Green Agenda for the Western Balkans, which facilitate political stability.

1.5. At the same time, the EESC draws attention to the fact that current political tensions would require even more active cooperation with some countries that are able to provide Europe with gas and oil supplies. Among others, the United States and to a different extent, countries in South America and Africa, whose fossil fuel exports should be supplemented with knowledge transfers and renewable technologies that could speed up their climate transition.

1.6. The EESC welcomes the initiative to connect Moldova and Ukraine to the European energy grid, but also calls for periodical reviews of the geopolitical situation resulting from dynamic changes in the energy structure in countries such as Armenia, Georgia and Kazakhstan

1.7. The EESC draws attention to the need to build special relations with countries that are major suppliers of heavy metals and raw materials necessary for producing clean energy technologies and which may be threatened. This requires the development of a whole new industry in international relations: European energy diplomacy.

1.8. Due to the recent experience of Europe's overdependence on raw materials from uncertain sources, the EESC urges the EU to be as flexible as possible in its ambitious plans for the energy transition, allowing time to analyse the geopolitical impact of selected decisions and to adjust them if they cause unwanted and unexpected tensions in the world.

## 2. Introduction

2.1. For many years, issues related to the energy transition have remained at the top of the political agenda all over the globe. The European Union with European Green Deal is a frontrunner in the energy transition, based on its values of sustainability, solidarity and international cooperation. However, whereas the EU is only responsible for around an 8 % (and decreasing) share of global emissions, EU internal policy, no matter how ambitious it may be, is not enough.

2.2. As outlined in conclusions to the Geopolitics of the European Green Deal conference <sup>(1)</sup>, multilateralism is key to tackling these common, transboundary climate threats, and it is through multilateralism, rather than divisive geopolitics, that the planetary crisis can be tackled. The above was also reflected in the EESC opinion on the **New EU Strategy on Adaptation to Climate Change** <sup>(2)</sup> where the EESC endorsed the need for 'stepping up international action for climate resilience', as the Commission puts it, agreeing with the Commission's statement that 'our climate change adaptation ambition must match our global leadership in climate change mitigation'.

2.3. As the climate change and related actions taken are causing huge shifts in geopolitics and industry, led by a boom in renewable energy, strongly impacting international relations, the EESC has decided that a focus on geopolitical effects would be critical to a comprehensive umbrella opinion on climate change.

2.4. While there is a scientific consensus on the need to reduce greenhouse gas emissions to the atmosphere, climate policy cannot ignore the growing positive and negative links between the associated economic, social and environmental challenges.

2.5. The functioning and parameters of the energy market are directly related to the political situation in individual regions. The above is contributed to by the fact that fossil fuel supply is marked by high dependency on a few producing countries.

2.6. As shown in the EESC opinion on **The external dimension of the EU's energy policy** <sup>(3)</sup>, the dominance of certain import sources, which are not respecting the same market and political rules as the EU, have lifted the issue of energy security high on the EU agenda. At that time, the consequences of the military aggression carried out in Georgia in 2008 were referred to, but the context remains remarkably relevant given the current situation in Ukraine, which is strongly translated into the perception of issues related to energy security and geopolitics.

2.7. In the medium term, the world energy scene will look nothing like it does now. The energy transition will have a fundamental impact on geopolitics, and will bring both threats and opportunities. The nature of this impact will depend on many factors. One example is that decarbonisation can lead to higher dependency on gas imports, which could make EU-Russia relations even more complex.

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<sup>(1)</sup> <https://www.eesc.europa.eu/en/agenda/our-events/events/geopolitics-european-green-deal>

<sup>(2)</sup> OJ C 374, 16.9.2021, p. 84.

<sup>(3)</sup> OJ C 264, 20.7.2016, p. 28.

2.8. As the energy system changes, so will energy politics. In the world of clean energy, a new set of winners and losers will emerge. Some see it as a clean energy space race. Countries or regions that master clean technology, export green energy or import less fossil fuel stand to gain from the new system, while those that rely on exporting fossil fuels could see their power decline.

### 3. General comments

3.1. If the energy transformation is understood as taking systemic actions and measures aimed at reducing the release of carbon compounds into the atmosphere accelerating the processes of climate change, then apart from the energy transformation one should also seek and implement optimal solutions in the field of sustainable agriculture and forest management, bio-sequestration, cattle breeding or use, opportunities brought by the development of carbon dioxide capture and storage technology.

3.2. Taking into account the level of greenhouse gas emissions generated by EU countries, compared to other world economies, in order to achieve the required results, it is necessary to make efforts to bring other countries to the coalition to counteract climate change. Special consideration needs to be paid by the EU to international cooperation in its various forms, including investment, trade and innovation partnerships, with the aim of enhancing adaptation measures globally and especially in developing countries.

3.3. Trade activities undertaken by EU Member States leave a significant carbon footprint in the rest of the world. It is the responsibility of the EU to address this external dimension of the implementation of the European Green Deal, through inter alia promoting transition in bilateral and regional development cooperation and addressing negative spill-overs in its trade policies.

3.4. Geopolitics is crucial in order to guarantee the success of the European Green Deal, as the green transition will evidently have a dramatic impact on international relations. Diverging priorities between developed and developing countries will constitute a significant challenge, as the European Green Deal will affect countries disproportionately. In tackling these challenges, the developed world should make every effort to address the impact on low-income countries to show that the European Green Deal will not leave them behind.

3.5. An example of activities focused on the involvement of global partners, is the Just Energy Transition Partnership Launched at the COP26 World Leaders Summit by the governments of South Africa, France, Germany, the UK, the US and the EU. The initiative aims to support South Africa to decarbonise its economy, to move away from coal and towards a low emission, climate resilient economy based on clean, green energy and technology.

3.6. Another example is the Global Gateway, the new European Strategy focused on boosting smart, clean and secure links in digital, energy and transport and strengthening health, education and research systems across the world. Global Gateway aims to mobilise up to EUR 300 billion in investments between 2021 and 2027 to underpin a lasting global recovery, taking into account our partners' needs and the EU's own interests.

3.7. Another example of particular importance in the context of geopolitics is the Green Agenda for the Western Balkans, which aims to support a comprehensive ecological transformation towards a circular low-emission and sustainable economy in the Western Balkans. In particular, the Green Agenda for the Western Balkans can unlock the potential of the circular economy, creating more jobs and opening up prospects of new growth. Adequate financing from the EU, national governments and the private sector will be essential in order to support this green transition. According to the EESC opinion on **Energy — a factor for development and a deeper accession process in the Western Balkans** <sup>(4)</sup>, energy should be a factor for the development and interconnectivity of the region and the citizens of the Western Balkans should be given a clear idea of the economic and environmental benefits of accession to the EU.

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<sup>(4)</sup> OJ C 32, 28.1.2016, p. 8.

3.8. As outlined in the conclusions of the aforementioned **Geopolitics of the European Green Deal** conference, the energy transition will be accompanied by considerable volatility in energy prices. The above constitutes a geopolitical challenge that the EU and its global partners should help to mitigate, by lowering the risks associated with the promotion and expansion of clean energy use, and avoiding exacerbating already existing inequalities.

3.9. The above has already been expressed in the EESC opinion on **The new EU Strategy on Adaptation to Climate Change** <sup>(5)</sup>, where the Committee called on the Commission to seek better alignment of climate adjustment policies with climate justice in future adaptation policy work. The Committee acknowledged that climate change can have differing social, economic, public health and other adverse impacts on communities and advocated addressing existing inequities head on through long-term mitigation and adaptation strategies, so that no one is left behind. EESC urged the Commission to clarify how exactly it will unlock barriers to accessing finance for the most vulnerable countries, communities and sectors globally and how it will include proposals for the integration of gender and tackling inequalities at regional and local level.

3.10. The EU's external policy to combat climate change should not only rely on EU countries to provide 'external' arguments and supporting the implementation of a demanding climate transformation strategy, but also on drawing know-how from countries outside the EU (for example, working with the American Natural Resource Conservation Service (NCRS) and other similar organisations. It should be remembered that it is no less important to take care of the internal exchange of good practices and the development of a systemic approach to the challenges related to transformation, as part of initiatives such as the construction of the common energy market.

3.11. The dynamic development of renewable energy sources requires a parallel modernisation of the transmission infrastructure and integrating the energy system, and a departure from the centralised method of generating and supplying electricity. It is necessary to consistently promote local initiatives to meet energy needs in line with the subsidiarity principle. As stated in the EESC opinion on **An EU Strategy for Energy System Integration** <sup>(6)</sup>, the Commission should encourage the European Union's neighbours, and primarily the Eastern Partnership countries, to follow the plan for system integration, which is important not only for achieving climate neutrality, but also for stable security of supply and affordable prices for private consumers and the economy, and make it their own policy. The question of whether a CO<sub>2</sub> border tax could be helpful here should be explored further.

3.12. It is not possible to credibly and effectively implement the strategy of presenting the need to implement climate policy outside the EU if the social challenges accompanying the transformation processes are not properly addressed within the EU Member States. As indicated in the EESC opinion on **Leaving no one behind when implementing the 2030 Sustainable Development Agenda** <sup>(7)</sup> leaving no one behind means that all members of society and especially those that are further behind have a real chance to seize the chances and are well prepared for coping with the risks. In this context, the most vulnerable groups in society as well as the most disadvantaged regions and territories need special consideration.

3.13. Effective and socially acceptable addressing of issues related to the diversified impact of the climate policy on individual EU countries, would give EU the credibility to act as a global leader on sustainability. At the same time, a commitment to sustainability at global level helps to achieve EU policy objectives in other areas (such as addressing the causes of migration, fair global trade and reducing dependence on oil-rich countries from a foreign policy perspective).

3.14. As stated in the aforementioned opinion, the European Commission has already adopted an approach of internalising external effects more seriously, acknowledging for example that renewable energies are disadvantaged as long as the external costs of fossil resources are not fully reflected in the market price or by making efforts to factor negative externalities into the transport sector.

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<sup>(5)</sup> OJ C 374, 16.9.2021, p. 84.

<sup>(6)</sup> OJ C 123, 9.4.2021, p. 22.

<sup>(7)</sup> OJ C 47, 11.2.2020, p. 30.



3.15. Education and knowledge transfer are essential, both at the level of universal compulsory education and communication addressed to the general public, with particular emphasis on social groups directly affected by the transformation. It is necessary to clearly present the civilisational alternative that we are facing in order to effectively defend the thesis according to which the current transformation effort by a part of society will avoid much greater costs than in the event of inactivity will have to be paid to the entire international community.

3.16. The energy transformation and the development of new green technologies contribute to the development of unique knowledge and competences, and the creation of highly qualified jobs. This direction of development of European economies is a unique development opportunity and allows the EU Member States to strengthen their position as a technological leader in the area of transformation understood as emission reduction. The accession of more non-EU countries to the alliance to counteract the negative effects of climate change will allow the creation of markets for technologies derived from European economies.

3.17. The gradual phasing out of fossil fuels will foster the escalation of tensions between EU countries — as importers of these raw materials, and non-EU countries — as suppliers. In this case, in particular, Russia should be taken into account as a local supplier of fuels, whose revenues from the sale of these raw materials constitute a significant part of the budget revenues. In addition, countries in the MENA and sub-Saharan Africa regions whose revenue heavily depends on fossil fuel exports may face significant political and social repercussions that could trigger waves of refugees and migration towards Europe. The change in the model of cooperation can certainly be viewed from a political point of view as a threat to the position of a country whose economy and governance are dependent on revenues from the supply of fossil fuels. Investment and collaborative solutions in promoting green energy could be framed as an opportunity to assist the transition of these economies.

3.18. The experience of the war taking place in the 21st century in Europe prompts reflection on the responsible use of nuclear energy and a revision of the taxonomy rules which do not contribute to the negative effects of climate change.

3.19. The possible embargo on imports of Russian oil, gas and coal as sanctions imposed on Russia in the context of aggression against Ukraine, or a withdrawal from imports due to the need to suspend financial transfers supporting the Putin regime, will contribute to the acceleration of the expected geopolitical effects of the suspension of fuel imports from Russia. At the same time, there may be a need to reconsider the pace of abandoning from fuels available in EU countries.

3.20. Integration in order to create a gas union of EU countries seems justified. Such an approach would allow for joint purchasing processes and contribute to the achievement of favourable economic conditions, while allowing for the coordination of decisions to suspend the import of this raw material from the East, which, in the face of the political dimension of such a decision, would translate into a coherent foreign policy of EU countries.

#### **4. Challenges and opportunities**

4.1. The climate policy of the European Union will have a diversified impact depending on the region it concerns and depending on the activities undertaken in the field of external policy to mitigate identified risk and enhance the transition processes.

4.2. With regard to the Western Balkans, high hopes are expected in the field of energy market activities in relation to the EU membership process. The above may play a significant, positive role in shaping the geopolitical conditions in this region. By signing the Sofia Declaration on the Green Agenda, the governments of the Western Balkan countries have committed to reaching climate neutrality by 2050 and to fully aligning with the European Green Deal. In particular, the Green Agenda for the Western Balkans could unlock the potential of the circular economy, creating more workplaces and opening up new growth prospects. Adequate financing from the EU, national governments and the private sector will be essential in order to support this green transition.



4.3. With regard to Africa, first, it should be emphasised that climate change mitigation policies are not a priority for the countries of this continent. The EU should therefore work with African, as is the case with other developing countries, to ensure all initiatives are locally accepted and consistent with partner countries' priorities by applying a bottom-up approach. Otherwise, actions taken in the field of climate policy may be met with a lack of understanding and opposition from local communities struggling with fundamental problems. As indicated in the EESC opinion ***EU and Africa: Making an equal development partnership a reality based on sustainability and common values***<sup>(8)</sup>, the challenges faced by developing countries in Africa are very complex and need to be addressed in a sensitive and multidimensional approach. What is more, the continent's energy demand will be expected to double by 2050, with poverty rates remaining high. This would perpetuate, if not exacerbate, sustainability issues in terms of environmental and socioeconomic aspects. Nevertheless, opportunities could arise, with African countries playing a leading role in the solar photovoltaic technology and large-scale production of synthetic fuels. Specific possibilities for joint projects, business activities and policies could create a new socio-ecological market economy approach.

4.4. Regarding the Eastern Partnership, close cooperation with countries that, like the EU, are heavily dependent on fossil fuels and thus exposed to strong price volatility, is particularly important, especially taking into account the current hostilities in Ukraine. With regard to Ukraine, Moldova and Georgia, efforts should be made to assist these countries in the process of becoming independent from supplies of fossil fuels from Russia and enabling integration of their electricity networks with the European grid. The above-mentioned activities are reflected in the recent declaration on a fast integration into the EU electricity grid, a joint effort of decision-making bodies as well as transmission network operators is necessary.

Brussels, 21 September 2022.

*The President*  
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<sup>(8)</sup> OJ C 429, 11.12.2020, p. 105.









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