ERT

Renewing the dynamic of European integration: Single Market Stories by Business Leaders

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Foreword by ERT

Since the launch in 1984 of its historic 'Europe 1990 – An Agenda for Action', ERT has advocated the permanent pursuit of a more competitive European economy. We believe this is indispensable to the EU's resilience, economic openness, and the broader promotion of an international 'level-playing field' that enables fair competition globally.

In '*Strengthening Europe's Place in the World*', the strategic paper we launched in 2019, the leaders of Europe's largest businesses, called on the EU and its Member States to "strengthen the Single Market to boost growth and prosperity in the EU".

Nearly three decades since the dawn of the Single Market, crucial policy areas, such as energy, the digital economy and capital markets, remain fragmented within Europe. This hampers our global competitiveness and reduces our geopolitical impact.

We, the Members of ERT, have set the companies we lead on a course towards carbon neutrality and digital transformation. To deliver those goals and contribute to the EU's political objectives, we urge the EU's leaders to refocus their attention on improving the Single Market. Only a competitive Europe will be able to drive the green transformation and secure the ambitions of the UN Climate Change Conferences.

In the second part of this publication, we present 30 personal stories that provide real-world examples of the kinds of barriers that hinder cross-border economic activity within the EU. If these challenges are resolved by further integrating our economies, it would tremendously boost the well-being of 450 million citizens.

To overcome the fall-out caused by the Covid-19 pandemic, the European Commission and the EU Member States need to jumpstart the EU's economic engine to generate new jobs for the generations to come.

As a contribution to the reflections within the Conference on the Future of Europe, we hope that this publication will provide a compelling evidence base for a new programme to deepen integration, to drive forward the economic recovery, deliver the twin transitions, and enable open strategic autonomy.

Carl-Henric Svanberg

Chair, ERT

Chair, AB Volvo

Martin Brudermüller

Chair, ERT Competitiveness & Innovation Committee

CEO and Chair of the Board of Executive Directors, BASF SE

Préface de Pascal Lamy, Institut Jacques Delors

Le marché intérieur est un chantier toujours inachevé. En proposant des mesures légales et pratiques à partir de témoignages de ses propres membres, en prise avec les réalités actuelles du marché, l'European Round Table for Industry renoue avec une tradition en faveur d'une intégration poussée des économies des pays membres établie depuis 1985.

Jacques Delors, alors président de la Commission, avait fait du « marché unique » le vecteur d'une relance européenne en transformant profondément un “marché commun” qui s'était essoufflé depuis ses origines. Avec l'échéance claire de « l'Objectif 1992 », il y a bientôt 30 ans, il sut mobiliser non seulement l'appareil administratif et les volontés politiques de tous bords mais aussi les forces vives de nos pays pour faire de ce marché une réalisation véritablement collective.

Achever le marché intérieur, c'est-à-dire effacer les frontières pour les producteurs, permettre concrètement la libre circulation des personnes, des biens, des services et des capitaux, c'était inévitablement faire entrer des économies jusqu'alors très nationales en zone de turbulences. C'était bousculer les habitudes bureaucratiques, remettre en cause des positions établies, redessiner les circuits d'échanges dans leur géographie même. Jacques Delors estimait, à juste titre, que cette entreprise schumpétérienne ne pouvait réussir qu'en étant étroitement équilibrée par des mécanismes beveridgiens. La relance du dialogue social européen et l'essor considérable donné aux fonds structurels ont ainsi permis d'accompagner, auprès des travailleurs comme dans les territoires les plus reculés, les transformations induites par la libéralisation de pans économiques entiers génératrice de croissance et d'emplois. Cette imbrication propre à l'Europe, qui fait d'elle une « économie sociale de marché », fut gage d'un succès inédit à la base de son attractivité. Elle est devenue une marque de fabrique européenne, une singularité de notre capitalisme. « On ne tombe pas amoureux du marché intérieur », disait Delors pour expliquer la différence entre l'intégration économique et l'intégration politique, mais ce marché est bien devenu un élément constitutif de notre identité européenne.

Le chantier est pourtant aujourd'hui à reprendre. Des obstacles et interdits surannés subsistent alors que d'immenses défis se présentent. De nouvelles particularités se font jour avec la dématérialisation de la création de valeur. Avec une transition écologique et une transition numérique à opérer de concert, le marché intérieur est appelé à se renouveler dans nombre de ses aspects. Les témoignages de dirigeants de tous secteurs présentés dans la présente publication signalent à la fois l'ampleur et les spécificités de la tâche. Sur le marché des biens, et encore bien davantage sur celui des services, il reste tant d'interopérabilités à établir, d'infrastructures communes à construire, de réseaux à relier, de règles nationales, de normes et de standards à harmoniser, ou à reconnaître mutuellement.

Foreword by Pascal Lamy, Institut Jacques Delors

English translation

The EU Single Market is still unfinished business. By offering legal and practical measures based on testimonials from its own Members, in line with current market realities, the European Round Table for Industry is renewing a tradition, established since 1985, of promoting the deeper integration of European economies.

Jacques Delors, the then President of the European Commission, made the 'Single Market' the vector of European revitalisation, to transform a 'common market' which had run out of steam since its inception. Almost 30 years ago, with the clear deadline of the 'Objective 1992' he succeeded in mobilising both the administrative machinery and diverse political viewpoints. More than that, he also drew together the vital forces of our countries to make this market a truly collective achievement.

Completing the internal market was about erasing borders for producers, to enable the free movement of people, goods, services, and capital. It inevitably meant bringing together economies which until then had been domestically driven, especially in times of turbulence. It required shaking up bureaucratic habits, questioning established positions, and redrawing the geographical trade routes.

Jacques Delors rightly believed that this Schumpeterian enterprise could only succeed if it was united by Beveridgian mechanisms. The relaunch of European social dialogue and the considerable growth of structural funds have made it possible to support, among workers, including those in the most remote areas, the transformations induced by the upsurge of entire economic sectors, generating growth and jobs. This specifically European intertwining makes it a 'social market economy' and it has delivered unprecedented successes, thanks to its attractiveness. It has become a European trademark, the particular nature of our capitalism. “We do not fall in love with the internal market”, as Delors said to explain the difference between economic integration and political integration, but this market has indeed become a constituent element of our European identity.

For all these reasons, the construction of the Single Market must resume. Obstacles and obsolete restrictions persist while immense challenges are knocking at our door. New features are emerging as the very concept of value creation is undergoing an enormous shift. With the green and digital transitions to be delivered, the internal market is set to go through a comprehensive transformation. The testimonies of leaders from all sectors presented in this publication outline both the scale and the specificities of the task in hand. In the goods market, and even of course in the services market, there are still many cases where interoperability is sorely absent and therefore needs to be facilitated. Networks still need to be linked; national rules, norms, and standards need to be harmonised or mutually recognised; and so much common infrastructure remains to be built.

Un exemple éloquent, parmi d'autres, est donné par les PDG de Nokia et de Vodafone à propos du retard européen pris dans l'allocation des spectres pour déployer la 5G, technologie aujourd'hui si vitale à la compétitivité européenne. Celle-ci, on le sait, requiert aussi que la recherche soit plus immédiatement reliée à l'innovation qui en assurera les débouchés.

Cependant, comme pour « Europe 92 », mener à bout ce processus d'intégration n'est pas seulement une entreprise légale, administrative et technique, aussi vaste et indispensable soit-elle. Le processus doit comprendre aussi un nouvel accompagnement social de manière à ce que soient prêtes et disponibles les nouvelles compétences requises par la double transition écologique et numérique de nos économies. C'est donc un immense chantier de formation professionnelle, de conversions, de requalifications et de création de nouveaux emplois que lance aussi l'achèvement du marché intérieur. Toutes les parties prenantes doivent être au rendez-vous.

Ce faisant, l'Europe n'œuvre pas seulement pour assurer sa prospérité future mais aussi sa propre sécurité. La donne géopolitique a été bouleversée depuis les années Delors qui avait vu les avancées de la géo-économie, plus pacifique. Notre monde se tend et se complexifie sur fond de rivalité sino-américaine et l'Union Européenne, dans ce contexte, doit renforcer sa puissance politique, donc économique. Si l'on considère les obstacles qu'il faudra surmonter pour y parvenir, rien ne peut y contribuer davantage que de renforcer l'effet de levier de son principal acquis, je veux dire le volume de son marché, qui est le multiple de sa surface sur laquelle nous avons peu de prise, et de sa profondeur qui, elle, est entre nos mains. **Reprenons donc vigoureusement l'entreprise d'approfondissement de notre marché intérieur avec de nouveaux outils adaptés à l'économie de demain**, et nous y trouverons, comme Delors le fit il y a trente ans, un gisement de croissance d'emplois et de progrès.

Pascal Lamy

Président d'honneur de l'Institut Jacques Delors

Ancien Directeur Général de L'Organisation Mondial du Commerce, Ancien Commissaire Européen et anciennement Chef de Cabinet de la Commission Européenne du Président Jacques Delors (1985-1995)

Eloquent examples are given by the CEOs of Nokia and Vodafone about the European delay in allocating the spectrum to deploy 5G, a technology now vital to European competitiveness. As we know, this requires allocating research where it can more immediately drive innovation and yield economic returns.

Akin to 'Europe 92', completing the integration process is not limited to being a legal, administrative and technical undertaking, however vast and indispensable it may be. Rather, this is a process that must provide renewed social engagement and educational incentives to ensure the new skills required by the twin green and digital transitions of our economies become readily available. The completion of the internal market is therefore prompting a colossal task involving professional transformations, vocational training, re-qualifications, and the creation of new jobs. It is a concerted effort that requires all stakeholders to play their part.

In doing so, Europe is working not only to ensure its future prosperity, but also its own security. The geopolitical situation has been turned upside down since the Delors years, which enjoyed a more peaceful geo-economic context. Our world is becoming subject to tensions and has become more complex against the backdrop of Sino-American rivalry. In this context, the European Union must strengthen its political and economic power.

To overcome these obstacles, nothing will help us better than leveraging the European Union's main asset: the volume of its Single Market, defined by its territory multiplied by the depth of integration, whose responsibility lies in our hands. **Let us therefore vigorously resume the task of deepening our internal market with the new tools suited to the economy of tomorrow.** It is there that we will find, as Delors did 30 years ago, a source of job growth and renewed progress.

Pascal Lamy

Honorary President of the Institut Jacques Delors

Former Director-General of the World Trade Organisation, former European Commissioner, and former Head of Cabinet of European Commission President Jacques Delors (1985-1995)

Executive summary and key recommendations

The challenges the EU faces require a deeper Single Market

The Single Market is the heart of the EU and is undeniably one of its greatest achievements[1]. It has brought long-lasting peace and driven growth in Europe for decades, creating the businesses, jobs and prosperity on which Europeans depend. It has generated a continent-sized market and created the world's largest trader of manufactured goods and services. All this has been made possible by the vision, leadership and determination of the EU's founding fathers, the EU Institutions, Member State governments, and officials in Brussels and in national capitals.

The Single Market has also depended on a uniquely open approach to policy-making, with the EU Institutions drawing on the expertise of industry and other social partners. It is with this in mind that ERT is calling for renewed dynamism and determination in its development. The concrete and practical stories from our Members in the latter part of this publication show the difficulties and fragmentation of the Single Market of today, as well as the existing limitations to the free circulation of goods, services, and capital.

The Single Market has grown and evolved as the economy has changed. It must now change again to address new challenges. The EU faces the considerable task of rebuilding its economy after the pandemic, replacing the jobs that have been lost and unlocking new sources of growth. As it does so, it must ensure that it not only continues to uphold European values and our social model, but also delivers the twin green and digital transitions which have been promised to Europe's citizens. It means not only engagement from the private sector, but also a radical new commitment from the **public sector, which carries an immense responsibility, as governments need to create the conditions for innovative technologies to be deployed and scaled-up across the EU**.

The headwinds facing the EU's competitiveness are powerful. First, there are long term challenges from the changing composition of the global economy. Between 2008 and 2018, the EU's real GDP grew by less than 1% a year, while India's and China's grew by 7% and 8% respectively, and the EU's share of global GDP fell from 25.6% to 18.6%. The US share of global GDP fell by only 0.9% from 24.9% to 24% over the same period[2]. Meanwhile, unfair trading practices have spread, tariff disputes have increased, and the WTO is a less reliable channel for resolving disputes. The rules-based system,

1 In the ERT publication 'Strengthening Europe's Place in the World', which was launched in April 2019, before the European Parliament elections, ERT acknowledged that "European integration has allowed neighbouring countries to create prosperity by using ever closer economic ties to bridge borders." See https://ert.eu/documents/strengthening-europes-place-in-the-world/.

2 Eurostat, The EU in the World 2020, https://ec.europa.eu/eurostat/cache/htmlpub/eu_in_the_world_2020/chapter2.html.

which provides a wider guarantor of the EU's prosperity, must itself be strengthened. At the same time, we see that, following Brexit, the EU and the UK now have trade barriers with each other, entailing serious economic consequences: the UK leaving the Single Market reminds us all of the latter's value.

In the face of these challenges, the EU has declared its ambition to achieve 'open strategic autonomy' and ERT supports the emphasis on long-term industrial competitiveness. However, the EU also needs a clear definition of its interests in key supply chains for critical goods, and a precise approach to applying the concept, to ensure it does not inadvertently enable protectionist measures. **We firmly believe that open strategic autonomy starts by strengthening the Single Market as our home base**.

The Single Market remains the EU's greatest asset and must provide the central plank of a new programme for integration. Its construction has been an enormous achievement, but its full potential remains to be realised. The EU's goals will not be delivered without unlocking new sources of growth. The EU will not nurture a thriving economy that works for all its 450 million citizens if barriers to growth are not removed.

Few of these goals will require new funds, and they do not necessarily require changes to the Treaties. Technical adjustments to the Single Market by changing practices within the current Treaties can already deliver huge gains, provided that there is not only the political will, but also the administrative capacity, in Brussels and all the national capitals, to work together on harmonising the framework for doing business in Europe.

A recent survey[3] of all ERT Members revealed that the completion rate of the Single Market stands only at 75%, when they were asked to rate the free movement of people, goods, services and capital.

We firmly believe that open strategic autonomy starts by strengthening the Single Market as our home base. The Single Market remains the EU's greatest asset and must provide the central plank of a new programme for integration.

The benefits of removing Member State-level barriers to the Single Market for goods and services could amount to €713 billion by the end of 2029[4]; a sum similar to the investment promised under the 'Next Generation EU' recovery package.

To achieve these goals, we now need to supplement methods of soft co-ordination within the Single Market with better enforcement and, where needed, legislative action. Even more importantly, we need deeper market integration to overcome the current fragmentation of rules. The importance of EU-wide infrastructure (in telecommunications, gas and electricity networks and rail services) should not be underestimated, in particular to spur the cross-border circulation of goods and services.

This should be coupled with a less politicised approach to standardisation: the recent approach risks undermining the EU's currently very constructive influence on world standardisation. An industry-led – but not industry-controlled – approach to standardisation has been proven to be the most effective for the EU, and highly beneficial for worldwide value-chains.

3 ERT, Economic confidence among Europe's industrial leaders cools as supply chain issues, inflation cloud the horizon, 24 November 2021, https://ert.eu/documents/confidencesurveyh2_2021/.

4 European Commission, A European Industrial Strategy – A Single market that delivers for businesses and consumers, March 2020, https://ec.europa.eu/commission/presscorner/detail/en/fs_20_427.

Overview

In this publication, ERT looks at the challenges the EU faces and the strategies it has spelled out to tackle them: open strategic autonomy, the green and digital transitions, the industrial strategy, and innovation policy. It looks at how EU policies all rely on a smoothly functioning Single Market for their success and at the Single Market's potential to make the EU a stronger geopolitical actor. In doing so, it takes up questions posed by the Commission on how the Single Market can achieve more by removing barriers within and between the EU Member States[5]. ERT also greatly appreciates the significant contributions from the European Parliament (published in November 2020 and February 2021)[6].

ERT is convinced that the time to act is now. **With the Conference on the Future of Europe in session, this paper is ERT's contribution to stimulate that debate towards an ambitious outcome**.

The urgency is illustrated by 30 practical and concrete stories in which ERT Members talk about how specific barriers within the EU are holding back growth and job creation, and preventing our society from achieving the twin transitions. The bulk of contributions concern the twin transitions: over 15 stories chiefly address the Green Deal, and 10 the EU's Digital Strategy. And we also identify the opportunities gained from tackling these barriers: it is through stories that we can often best convey not only the Union's achievements but also its potential. This publication sets out the next steps we should take to realise that full potential.

By analysing stories of business leaders, ERT finds that the EU can boost economic recovery by removing remaining barriers to trade within the Single Market through the application of three principles:

- Speed and simplicity;
- Aligning ends and means;
- Better enforcement and greater harmonisation.

ERT has applied these three principles to those policy areas most in need of attention. The EU will only make the most of its economic power if the Single Market receives renewed commitment from the Member States and the European Institutions. To succeed, political will is needed as well as a new encompassing programme: an agenda for action towards 2030.

By analysing stories of business leaders, ERT finds that the EU can boost economic recovery by removing remaining barriers to trade within the Single Market.

5 European Commission, Communication on Single Market Barriers, March 2020, https://ec.europa.eu/info/sites/default/files/communication-eu-single-market-barriers-march-2020_en.pdf.

6 These two reports were commissioned by the EP: (i) Erik Dahlberg et al, 'Legal obstacles in Member States to Single Market rules', November 2020, www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU(2020)658189_EN.pdf; and (ii) J.Scott Marcus et al, 'The impact of COVID-19 on the internal market', February 2021, www.europarl.europa.eu/RegData/etudes/STUD/2021/658219/IPOL_STU(2021)658219_EN.pdf.

Key recommendations and actions

This table sets out specific recommendations to strengthen the Single Market categorised by policy area and by means of delivery. Beyond better management and revising policies, deeper EU integration is needed in the four policy areas to **shape an effective Single Market in the fields of Environment & Consumption, Energy, Digital and Finance & Capital**.

1. MANAGE and enforce existing frameworks.	**2. REVISE** existing legislation.	**3. DEEPEN** the Single Market in new and emerging areas.
ENVIRONMENT & CONSUMPTION		
• Enforce a consistent interpretation of product safety standards across EU Member States.	• Harmonise recycling-related symbols and markings (labels). • Harmonise green regulations of consumer and industrial products. • Develop a single harmonised approach to the use of sustainable aviation fuels.	• **Build an Environmental Union** and establish common European standards based on life-cycle assessment for green products and services. • Develop minimum sustainability standards across all areas of the Single Market. • Develop a Single Market for waste transport.
ENERGY		
• Ensure carbon leakage protection to guarantee the competitiveness of EU industry while incentivising the transition towards climate neutrality. • Harmonise the scheme of guarantees of origin (GOs). • Ensure state aid systems, such as compensation for the indirect CO_2 costs, are maintained to enable the transition.	• Remove levies and charges on Renewable Energy Sources (RES) for industrial electricity consumers. • Update the state aid framework to facilitate investment in low, and ultimately zero, carbon emissions technology. • Streamline the permitting system and support EU Member States in expediting project permits.	• **Shape a real Energy Union** based on harmonised and predictable frameworks, including energy taxation harmonisation, and removing infrastructure bottlenecks and improving cross-border grid capacities, to increase access to energy across EU Member States, particularly for renewable energy. • Develop a common EU framework for supporting the uptake and interoperability of electric vehicles' charging points and hydrogen refuelling stations. • Implement the '*Fit for 55*' package in a way that promotes standardisation at the European level.
DIGITAL		
• Ensure that the Digital Compass target for 5G roll-out is met by appropriate support for private investment. • Improve the EU business environment to support the scaling-up of European tech start-ups.	• Adapt competition policy to the digital era. • Develop a clearer legal framework supporting mobile network sharing agreements. • Increase cybersecurity resilience in the EU through harmonised rules applied across the digital value chain.	• **Create a Single Digital Market**, such as by establishing common data standards and exchange models, to ease data sharing across the EU Member States. • Develop a common EU framework for the internet of things, AI, and deployment of 6G.
FINANCE & CAPITAL		
• Accelerate the implementation of a European Single Access Point for company information. • Remove barriers to fin-techs' access to finance across the Single Market.	• Encourage further innovation in EU cross-border payments. • Complete the reform of the EU's insolvency regime and adopt minimum standards for insolvency laws across the EU.	• **Accelerate the creation of a Capital Markets Union** by implementing the European Commission's Action Plan of 2020. • Address divergent taxation of corporations between the Member States. Harmonise the tax base by agreeing on a common consolidated corporate tax base under the 'Business in Europe Framework for Income Taxation' (BEFIT). • Develop a clear, common sustainability framework for cross-border investment.

Better reporting on barriers, systematic follow-up on removing these and a more pro-active role of the European Commission are part of the solution.

These recommendations are in the first instance based on the ERT Members' stories regarding barriers to the Single Market that need to be addressed[7]. They focus on achieving greater harmonisation across the EU and are divided into three sets. The first focusses on the implementation of what already exists, the second on the revision of existing legislation and the third on deepening the Single Market through new policy action.

When insufficient action is taken by the Member States to remove existing barriers and European companies are faced with potential new fragmentation in future markets, the governance framework for the Single Market should be overhauled. Better reporting on barriers, systematic follow-up on removing these and a more pro-active role of the European Commission are part of the solution.

However, the Conference on the Future of Europe also constitutes the perfect occasion to reflect on the division of competences between the European and national level and which powers should be exercised by the European Commission to instil more harmony in the 'Single' Market.

7 For a more comprehensive set of recommendations per sector, see amongst others the ERT paper "Mapping a New World with the EU Digital Compass" (https://ert.eu/documents/digitalcompass/) released in May 2021 and the ERT paper "Making the most of Europe's climate leadership" (https://ert.eu/documents/climate-leadership/) released in December 2020.

1. The European and Global Context

1.1 The Single Market's achievements

The construction of the Single Market was a central part of the foundation of the European project. The process of integration began not only with economic objectives in mind but also with the goal of making European states so interdependent that war between them would become impossible. It has largely succeeded. The EU is one of the world's most successful peace projects. Europe has never been more interconnected than it is now: 50-75% of the European economy is now driven by trade between Member States[8], and European citizens draw around 40% of their goods from other Member States.

Europe would not enjoy the prosperity it does today without the Single Market. Without it, it has been estimated that EU citizens would see an 8-9% cut for average incomes, but other studies point to a higher figure[9]. The competition which the Single Market enables is estimated to have boosted productivity by 4.7%[10]. Its effect on new Member States has been transformative: their growth has accelerated after EU accession. And EU citizens understand and appreciate the Single Market's importance: according to Eurobarometer, 60% see the Four Freedoms as the EU's most positive result[11], and they are ambitious for more: 65% want a digital Single Market[12]. The Single Market, then, has been at the core of the EU's success. This raises the question of how it can continue to deliver in an age of new challenges?

EU citizens understand and appreciate the Single Market's importance: according to Eurobarometer, 60% see the Four Freedoms as the EU's most positive result, and they are ambitious for more: 65% want a digital Single Market.

Yet, a recent survey amongst ERT Members showed the lack of "completion" of the Single Market in its four freedoms: people (78%), goods (79%), services 66%) and capital (77%). The average level of completion boils down to only 75%[13].

8 Eurostat, Intra-EU trade in goods by Member State, data from April 2021, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Intra-EU_trade_in_goods_-_main_features&oldid=527147#Intra-EU_trade_in_goods_by_Member_State.

9 Jan in 't Veld, Quantifying the Economic Effects of the Single Market in a Structural Macromodel, European Economy Discussion Paper 094, February 2019, https://ec.europa.eu/info/sites/default/files/economy-finance/dp094_en.pdf, p. 5.

10 Kommerskollegium, Economic Effects of the European Single Market: review of the empirical literature, May 2015, https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2016-och-aldre/publ-economic-effects-of-the-european-single-market.pdf, p. 24.

11 European Commission, Standard Eurobarometer 91 – Spring 2019, August 2019, https://europa.eu/eurobarometer/surveys/detail/2253.

12 European Commission, Standard Eurobarometer 94 – Winter 2020-2021, Public Opinion in the European Union, https://europa.eu/eurobarometer/surveys/detail/2355.

13 ERT, Economic confidence among Europe's industrial leaders cools as supply chain issues, inflation cloud the horizon, 24 November 2021, https://ert.eu/documents/confidencesurveyh2_2021/.

1.2 The Single Market is key to the EU's competitiveness and geopolitical influence

In order to focus on the factors determining competitiveness in the future, the EU should learn from the past. The absence of a European tech giant, the relative lack of venture capital and start-ups compared to the US, and the difficulties for too many of our companies in achieving scale, all require urgent consideration. This is not a question of recriminations, but rather of re-prioritising the goal first set out in the Lisbon Strategy, launched in March 2000: making the EU "the most competitive and dynamic knowledge-based economy in the world". It is now urgent to shift from strategy to thorough execution.

New and disruptive technologies are always emerging, and as other countries implement their own reforms the pressures for competitiveness continue to grow; in particular with the US and China, the world's two other economic superpowers. The Single Market both requires and must facilitate the delivery of new critical infrastructure, such as 5G and gigabit networks, and be part of the EU's solution in the fight against climate change.

While some are challenging liberal democratic values at home and globally, European prosperity is the best demonstration to everyone that our values are not only right, but also make our societies succeed. The **ERT Chair, Carl-Henric Svanberg**, puts it as follows: **"We can best prove the value of our values if we can also create economic value."**

The absence of a European tech giant, the relative lack of venture capital and start-ups compared to the US, and the difficulties for too many of our companies in achieving scale, all require urgent consideration.

1.3 Covid-19: exposing the Single Market's vulnerabilities

The Covid-19 pandemic demonstrated the robustness of our telecom infrastructure but also caused barriers within the Single Market and exposed the vulnerabilities of distant supply chains. The need to protect public health was the prime objective. However, the movement of people, goods and services was impeded at points, for example by national regulations on border crossings and health certificates, and had sometimes adverse effects on combatting the pandemic.

In addition, the pandemic exposed the lack of interoperability between data pools, restricting Member States' ability to learn from each other. This damaging effect is not limited to fighting Covid-19.

The Commission intends to propose soon a Single Market Emergency Instrument (SMEI) which will be helpful to avoid similar national reflexes in future crises[14]. However, this will apply to emergency situations and will not be sufficient to make progress on removing barriers that were already existing before the pandemic.

1.4 Brexit: revealing the cost of the Single Market's absence

For the first time, a Member State has left the EU. Brexit has caused the creation of trade barriers, though the size of the respective markets means the impact is inevitably worse for the United Kingdom. Even without tariffs and quotas, the Centre for European Reform found an 11% decrease of EU-27-UK trade in the year to May 2021[15], on top of a 10% decrease since the UK referendum in 2016. There are two important lessons to be drawn.

First, **the benefits of the Single Market can be hard to see clearly until they are removed**: it is human nature not to notice the absence of a problem and to take that absence for granted. Although the Single Market's benefits are often modelled by economists[16], the benefits of the absence of barriers can be hard to explain politically.

The second is that what elevates the Single Market above any free trade agreement is its inherent ability to erode non-tariff barriers and to do so dynamically for new barriers that emerge. The cost of reimposing non-tariff barriers, from the lack of passporting in financial services to sanitary and phyto-sanitary checks and controls, is now plainly demonstrated, like when lemon juice is spilled on previously invisible ink.

The call for action to deal with remaining barriers within the EU is even stronger.

14 According to the Work Programme of the European Commission for 2022, presented in October 2021, the SMEI will have the double objective of (1) providing adequate coordination and communication mechanisms and ensuring the availability of the information which is needed for a targeted policy response; as well as (2) providing the means to ensure the resilience of the Single Market including availability of products and services, and the free circulation of goods, services and persons in times of crisis.

15 Centre For European Reform, The Cost of Brexit, May 2021, https://www.cer.eu/insights/cost-brexit-may-2021. Besides the estimates on UK-EU27 trade of CER, the Sussex UKTPO Trade Laboratory is another respectable institute which does not utilise a control group but analyses directly (albeit with a greater delay) post-Brexit trade figures. On 16 November 2021, the Sussex UKTPO published its newest estimates for the entire first half of 2021. The results reveal a very negative picture for the UK. The findings consist of: (1.) Compared to 2020, UK goods exports to the EU reduced by 14 % and UK imports from the EU reduced by 24% (2.) The value of trade in Pounds reduced : with GBP 32.5 bn in imports from EU-27; with GBP 11 bn of exports to the EU-27 (3.) Around 30% of UK goods exports to the EU-27 that could enter the EU tariff-free, did not do so, because of too much bureaucracy (e.g. rules of origin) and the presence of tariffs (when not using rules-of-origin) (4.) Also the trade in services trade declined (only mode 1 of services trade) : services exports to the EU reduced by 11%, whilst services imports from the EU fell by no less than 37%. These figures taken together paint a gloomy picture of how the UK's trade relations with the EU have been impacted since Brexit.

16 Dependent on modelling techniques, the range of net income additions ascribed to the EU ranges from around 9% to 12% of EU GDP. However, these approaches inevitably have a number of shortcomings. One prominent example: the 'synthetic' model (finding 12%) has not incorporated the first (say) 15 years of the old EEC when tariffs were eliminated, import quotas removed, customs rules and product nomenclatures harmonised, and intra-EU FDI flows liberalised; a range of other improvements were also introduced, including anti-trust, based on what are now Articles TFEU 101 and 102. The overall EU gains should therefore be several per cent higher.

1.5 Limited access to capital hinders the development of SMEs and scale-ups

The lack of a better-functioning and integrated capital market in the EU is undermining growth and dampening growth prospects for SMEs. Major drawbacks currently include:

a) the overall lack of liquidity depth of capital markets in the EU compared to the US. Hence, companies in the European market must often use US capital markets rather than those in the EU;

b) the high costs of a very strong reliance on bank capital (such as significant macro-economic stability costs for lack of private risk-sharing, but also the country risk premium in equity which keeps players tied to banks), and

c) the overly restrictive mandates of (national) pension funds, which discourage equity investments (which leads amongst others to a very low share in venture capital within Europe).

These disadvantages are not trivial. For growth and innovation, which Europe badly needs in the coming decade, equity capital is better equipped because it can finance intangibles much better than banks can. This is specifically relevant in the digital/hi-tech sectors. The lack of a common deep and diversified common capital market (including bonds) is even more striking now that (most of) the EU has a common currency and Brexit has negatively affected the London capital market.

The ambition to build a **Capital Market Union (CMU)** seeks to address the lack of availability of capital funding in the EU. However, it is not clear if Member States are fully committed to the pursuit of a single deep EU capital market or just some of its specific requirements, such as harmonising bankruptcy laws. The Capital Markets Union would yield not only substantial efficiency benefits, but also a major swing to more equity financing in the EU which, in turn, should promote a boost in venture capital, innovation and economic growth. The Single Market can provide a solution through the development of an EU-wide capital market, but further radical action is required. The story by **Jacob Wallenberg of Investor AB** explains how Europe is losing out and what needs to change. The twin transition is exactly the kind of disruptive set of activities which equity is better used to and equipped for, compared to conservative bank capital. A Capital Markets Union would also limit the leaking of capital to other economies, such as the US, on a quasi-permanent basis.

2. How the EU should address these challenges

2.1 Making Open Strategic Autonomy work

As in the recent ERT paper “Making Open Strategic Autonomy work”, being open to trade is a source of strength, not weakness. As the Commission’s recent 2021 Strategic Foresight Report[17] puts it: “openness, as well as rules-based international and multilateral cooperation, are strategic choices. They stimulate prosperity, fairness, stability, competitiveness and dynamism within the EU and beyond.” The best way to ensure that European companies can compete globally is to strengthen and deepen the Single Market.

The Single Market is a tool to enhance the EU’s resilience by supporting diversification and flexibility in supply chains. This means removing regulatory frictions that restrict intra-EU trade and make it harder to source flexibly. A large and well-functioning home market enables European companies, particularly SMEs, to learn how to scale-up and adapt. Openness in the EU’s economy drives both competition and innovation. These are the key drivers of open strategic autonomy because they will allow the continent to continue to compete from a position of economic strength.

This does depend on a proper level playing field for businesses based both inside and outside the Single Market when operating within it. The EU must therefore make full use of existing tools, such as antidumping and countervailing duties while adopting the proposed new instrument to level the playing field with foreign firms that benefit from illegal, unregulated, or unreported subsidies.

The best way to ensure that European companies can compete globally is to strengthen and deepen the Single Market.

However, achieving open strategic autonomy also requires ambitious EU research and technology policies, funding incentives and, where appropriate, regulation. It should be coupled with the understanding that businesses are best placed to manage their own supply chains, and that targeted interventions should be the exception, not the rule. So the default setting for the policy of open strategic autonomy should be openness. It is critical that Europe’s institutions and leaders recognise that policies to strengthen the Single Market provide a crucial tool for delivering geostrategic objectives.

17 European Commission, 2021 Strategic Foresight Report – The EU’s capacity and freedom to act, 8 September 2021, https://ec.europa.eu/info/sites/default/files/foresight_report_com750_en.pdf.

2.2 Green and Digital transitions: challenges & opportunities

The green and digital transitions are perhaps both the most pressing challenges and the biggest opportunities facing Europe. **They also carry a risk for the Single Market: as Member States may address these challenges in differing national ways and at different speeds the Single Market may become fragmented unless European solutions are in place**. Hence, it will be essential to devise solutions at the EU-level and empower the European Commission to enforce a coherent approach in the EU Member States.

While European society is rightly counting on the private sector to accelerate progress on the twin transitions, companies will only be successful if the public sector fully plays its part. Businesses count on governments across the EU to establish a harmonised framework and reduce red tape for achieving the transformations at a meaningful scale. Without a clear business case and market demand, companies will have fewer possibilities and incentives to invest in new technologies. The story from **Jim Hagemann Snabe of Siemens AG** explains how the right EU policies can help one transition support the other.

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Green transition

The Members of ERT fully support the EU's ambition to make Europe the first climate-neutral continent by 2050. When supported by a robust industrial policy to boost the European industry's global competitiveness, the Green Deal can be a fundamental part of Europe's strategy towards a more sustainable and digital society, and help to secure long-term access to clean energy at competitive prices.

Proposals to reduce greenhouse gas emissions across the EU economy provide a clear signal to businesses globally. Strengthening carbon pricing will help ensure a level playing field across the Member States, while the establishment of a carbon border mechanism can limit unfair competition from jurisdictions with less ambitious environmental protection standards, and consequently remove incentives for regulatory arbitrage while promoting global climate action.

But carbon pricing is only part of the story: the sectors most affected by emissions reductions obligations, especially transport and manufacturing, will need specific policies to accelerate their transition towards greener products. The story by **Martin Lundstedt, Volvo's CEO**, sets out one way the EU can help make this happen, recognising that although European automakers are adapting quickly, the EU needs to create better incentives for green innovation in the transport industry.

At the same time, the energy market must adapt to a new reality of increased renewable energy provision. This means harmonising market rules, and integrating infrastructure of gas and electricity networks, to address bottlenecks. It also requires the streamlining of permit systems, as the story by **Ignacio Galán of Iberdrola** explains, while **Jean-Pierre Clamadieu of Engie** looks at another way in which the European Commission can encourage the switch from carbon.

ERT will support the Commission and the co-legislators in agreeing on the *Fit for 55* package, which sets out the roadmap for the EU to cut emissions by 55% by 2030 while also ensuring that industry and citizens are not left behind. Although the Carbon Border Adjustment Mechanism (CBAM) has attracted particular interest, the EU and its Member States should give at least as much attention to the potentially transformational impact of internal market measures within the *Fit for 55* package for the pricing and adoption of technology, including for alternative fuels infrastructure and renewable energy. See, for instance, the story from **Florent Menegaux of Michelin** on the need for interoperable hydrogen refuelling stations.

Furthermore, new legislation such as the Single Use Plastics Directive should not lead to divergent approaches in EU Member States (see the story presented by **Stefan Doboczky of the Lenzing group**). It is vital to ensure harmonised market conditions in all EU Member States for companies to have a business case and to roll-out new and badly needed sustainable solutions across the EU.

Digital transition

The time we live in is characterised by digital transformation. The opportunities are fantastic, and the basic idea is simple: at its core, digital transformation is about leveraging technology to advance society. The Commission's communication on 'Shaping Europe's Digital Future', grouping its proposals under the 'Digital Compass', and the recent EC proposal for a decision on the 'Path to the Digital Decade' have provided a clear direction of travel. However, success in the EU's digital ambitions will depend on deepening the Single Market framework and, even more importantly, on ensuring the concrete enforcement of rules in a harmonised way in all Member States. The Commission's proposal for a Digital Market Act (DMA) is a major step towards clarifying the rules for core business platforms that provide online services, and for ensuring fair competition in online markets.

On data and artificial intelligence, the EU should focus on enabling data sharing between businesses and between the private sector and public authorities, while ensuring that regulation does not stifle innovation; the story from **José María Álvares-Pallete of Telefonica** explores one aspect of this. On cybersecurity, it is vital that the EU maintains its resilience through measures such as industry involvement in cybersecurity certification schemes and increased cooperation between national agencies; the story from **Alessandro Profumo of Leonardo** looks at the gains to be won in this space. It is also crucial to ensure skilling and reskilling in cybersecurity for all – public and private bodies as well as citizens, in addition to a fair allocation of liability rules within the value chain.

The digital transition cannot succeed without state-of-the-art networks being available across the EU.

It must also be recalled that the digital transition cannot succeed without state-of-the-art networks being available across the EU. This requires serious investment: a study conducted by BCG for ETNO in March 2021[18] concluded that the EU is facing a €300bn investment gap for fixed and mobile networks, i.e. a €150bn gap to achieve a full 5G coverage in the EU, and an additional €150bn required to finish upgrading fixed infrastructure to gigabit speeds. Policymakers should strengthen their support for private investment, such as through a smart spectrum policy as shown by the stories from **Pekka Lundmark of Nokia** and **Jean-François van Boxmeer of Vodafone**, and enhanced support to network-sharing agreements, as illustrated by the story from **Stéphane Richard of Orange**; while the story from **Paulo Azevedo of SONAE** explains the need for firms to have the commercial flexibility to support innovation and investment.

18 ETNO, Connectivity and Beyond: How Telcos Can Accelerate a Digital Future for All, 25 March 2021, https://etno.eu/news/all-news/704-etno-bcg.html.

2.3 Industrial strategy

The quartet of the Single Market, trade policy, competition policy and industrial policy should be seen holistically, within the framework of delivering open strategic autonomy. The 'Update of the New Industrial Strategy' and the first 'Single Market Annual Report' (both published by the European Commission in May 2021) show clearly and convincingly how the Single Market and Industrial Strategy complement and reinforce each other. In the past, the EU has often struggled to align the two policies and has thereby undermined both. The new complementary approach is vital to the long-term prosperity of EU workers and citizens at large.

On trade, it is equally important that the Commission's policies on, for example, foreign subsidies are fully aligned with its own industrial strategy and are grounded in a clear argument for economic openness. Our overall goal should be to make sure that European companies can compete at scale globally: the story from **Börje Ekholm of Ericsson** explains how competition policy needs to support investment in 5G infrastructure. EU competition policy is central to the functioning of the internal market and is one of our most powerful tools to ensure a level playing field for all European companies.

EU Institutions should use the interim measures at their disposal when necessary to prevent digital markets from 'tipping'. It is also relevant that the Digital Markets Act (DMA) would give them specific powers on this issue. Competition rules need to be adapted to the digital era. There should also be a revision of block exemptions for competitive collaboration between firms, given modern business models and the legal certainty needed for those responding to modern distribution approaches. Again, this is as relevant for the Single Market and industrial policy as it is for competition policy.

The quartet of the Single Market, trade policy, competition policy and industrial policy should be seen holistically, within the framework of delivering open strategic autonomy.

The EU should take action to ensure that the **current framework for competition law and state aid contributes to achieving the twin transitions**. As has been argued, competition law can be made an ally of industrial policy and the transition towards a sustainable economy[19].

The interdependence between the Single Market and EU industrial policy – and at times EU trade policy and competition policy – is well illustrated by the Update of the EU's Industrial Strategy. Most of its 43 specific actions are directly related to the Single Market. This consistent approach is promising.

We will obtain a more comprehensive picture of the EU's competitiveness through monitoring the EU's economic performance based on a set of Key Performance Indicators (KPIs) over time and in international comparison with other geographies. Measuring the integration of the Single Market and reporting on the removal of barriers will be vital to create fertile ground for European industry to flourish.

19 CEPS, Andrea Renda and Agnes Sipicki, 'Competition Policy and State Aid: Defining a sustainable path for Europe's recovery', 20 July 2021, https://www.ceps.eu/ceps-publications/competition-policy-and-state-aid-defining-a-sustainable-path-for-europes-recovery/.

2.4 Stimulating innovation through attracting skills and capital

Disruptive technologies, products or services require an enabling environment in which start-ups and scale-ups can thrive. The EU offers a relatively poor environment for both, particularly in comparison to the US[20]. The Single Market should provide a springboard for SMEs, but the barriers to scaling up are still formidable; Spotify's departure from Europe in its growth phase, to expand in the US first, provides an unfortunate example. More recently, one prominent European BioNTech investor noted that the company could not have enjoyed the success it has won without listing on the NASDAQ[21].

The two core challenges facing Europe on innovation are attracting talent and capital:

- Regarding skills, Estonia has pointed the way with its 'e-residencies' for digital nomads and the Portuguese EU presidency has followed suit. Both have shown that the EU's Blue Card system is too rigid, slow, and restrictive. Once talent is attracted, the question becomes how best to retain it. The relatively greater opportunities offered in the US – with employee stock options, for example – continue to encourage the highest grade, and therefore the most mobile, talent to immigrate.
- The second shortcoming – the availability of large-scale growth capital – has only been partially addressed in Europe. A richer and more mature ecosystem for venture capital (VC) has gradually emerged, and the annual amounts of VC turnover in the EU have risen strongly. Nevertheless, the scale of VC in the US remains far bigger and the risk appetite much greater. This can be observed, for example, in the greater tendency of US start-ups to engineer a buy-out, once scaling-up is successful, making it easier for VC to cash in.

The revised proposals for the CMU would, if implemented, mark real progress, but they will not be enough by themselves to bring about a deep, attractive, and fully integrated European capital market.

The revised proposals for the CMU would, if implemented, mark real progress, but they will not be enough by themselves to bring about a deep, attractive, and fully integrated European capital market. This is despite the monetary union now being 20 years old, with 19 Member States using the euro and two more due to adopt it in 2022.

The ongoing EU bond issuances, as EU safe assets to fund the Covid-19 recovery (SURE and Next Generation EU), are an important milestone towards a more integrated and liquid internal bond market, and this is what is also needed for corporate bond issuance. It raises the hope that a genuine EU capital market may emerge and increase the appetite to invest in scaling-up promising start-ups, even when the risks are considerable. But while fragmented national insolvency frameworks, language barriers and the absence of a consolidated tape for financial data persist, progress on the CMU will remain slow – whereas delivering high-speed, electronically available data on trades taking place in EU capital markets would improve transparency and competition between EU trading venues.

20 See the ERT Benchmarking Report of 2019 for a detailed international comparison regarding several factors of competitiveness, including on the creation of unicorns and the availability of venture capital: https://ert.eu/documents/benchmarking-report-2019/.

21 Handelsblatt, BioNtech-Investor Strüngmann: "In Deutschland hätten wir null Chancen gehabt", 5 December 2019, https://www.handelsblatt.com/unternehmen/industrie/interview-biotech-investor-struengmann-in-deutschland-haetten-wir-null-chancen-gehabt/25300520.html?ticket=ST-7300-VMwlLfHueKsipjqxLU2t-cas01.example.org.

3. Recommendations

3.1 Rationale for a Single Market in Environment & Consumption, Energy, Digital and Finance & Capital

The rationale for the recommendations in the four key policy areas is set out below:

ENVIRONMENT & CONSUMPTION

Consumers are increasingly making decisions that demand sustainability and a lower impact on the environment.

ERT supports the Commission's European Green Deal agenda, which seeks to transform Europe's economy into one where sustainability is central. Initiatives that address waste, biodiversity, water and air quality, soil, land use, and forests must be cost-effective, achievable and deliver sustainable long-term benefits. If executed correctly, along with the digital transformation, sustainability can be a driving growth factor for Europe and its neighbours.

Green requirements in legislation should be harmonised across the EU to avoid the Single Market fragmenting along national lines. This can be best supported by industry-led European standards.

Fragmentation arising from the transition towards a more sustainable future should be avoided. The strengthening of environmental policies does not always happen at the same speed throughout the EU. In the absence of European legislation, Member States may introduce national legislation which can fragment the Single Market, as the story from **Nils Andersen of AkzoNobel** illustrates with a household product as simple as a pot of paint,

Especially in areas of disruptive innovation, the EU needs scalable green solutions. It is therefore critical that national barriers do not prevent European solutions. This particularly pertains to the whole set of issues related to the circular economy, as the stories by **Ilham Kadri of Solvay** and **Paul Bulcke of Nestlé** set out.

It is therefore critical that national barriers do not prevent European solutions.

Whilst the public and private sectors have a role to play and both can contribute to continuous alignment, the European Commission should take the lead to avoid fragmentation. The ambition of the EU Taxonomy is to set standards which remove ambiguity for companies who make claims about their activities. Sustainable product development is an opportunity, especially if supply chains can become more resilient and oriented towards sustainability.

ENERGY

ERT supports a competitive, flexible, and non-discriminatory EU energy market, to further decarbonise energy use across sectors. Efficient energy prices help businesses make rational market-based strategic decisions. Clear price signals also allow European industries to invest in technological innovation, and help position the EU as the leading global player in energy technology.

Power generation is a case in point. Since the early 2000s, EU legislation has paved the way for a stunning reduction in renewable energy costs, with solar power costs declining by over 80% between 2010 and 2019, and onshore wind costs by 40%[22]. The 2016 Clean Energy for All Europeans package represented a key milestone in developing an energy market fit for renewable energies, where energy can effectively travel from where it is produced to where it is consumed, and where consumers are active players.

However, several ERT Members explain the difficulties of transferring energy from the grid of one EU Member State to another. Moreover, the regulatory framework is often not conducive to the deployment of new technologies, such as hydrogen. On sustainable aviation fuels, **Patrick Pouyanné of TotalEnergies** explains how national barriers are holding back their use, and **Ian Davis of Rolls-Royce** talks about the need to align national strategies with EU targets.

Now, the Commission is raising the level of ambition for an even more integrated EU energy market through the *Fit for 55* package proposal. ERT supports establishing cross-border rules and guidance in areas such as renewable energy projects permitting, power purchase agreements, guarantees of origin, and carbon pricing. ERT also backs the package in its support for industry, particularly transport and manufacturing, to decarbonise at a fast but technologically and economically achievable rate to maintain global competitiveness. Reconciling industrial emissions reduction with enhancing economic competitiveness, particularly in the intersection between emissions trading and carbon border adjustments, should be navigated wisely and guided by political realism. The feasibility of industry decarbonisation paths should be balanced with avoiding trade disputes.

Since the early 2000s, EU legislation has paved the way for a stunning reduction in renewable energy costs, with solar power costs declining by over 80% between 2010 and 2019, and onshore wind costs by 40%.

DIGITAL

Currently, there is still no such thing as a ‘Digital Single Market’. One telling example is that 25 years after the EU telecoms liberalisation began officially, markets are still considered on a national basis. Market consolidation in the EU would allow for greater efficiency as well as fewer and larger players, as in the US, with the capability to invest in innovative services, such as costly fibre and 5G networks.

Europe’s digital ambitions cannot succeed without a rapid and comprehensive rollout of gigabit fibre and 5G infrastructure. However, as shown in several stories of ERT Members, the roll-out in EU Member States remains slow and uneven.

For the Digital Transition, there are overall a range of challenges to be addressed[23]. A key issue is the need for a European business environment that better supports the scaling-up of EU tech start-ups, to address the lack of European tech ‘unicorns’. Working towards a common format for voluntary data sharing is essential for this. Ensuring alignment between GDPR and sectorial rules on data management would also contribute to unlocking the EU’s data economy.

22 International Renewable Energy Agency, Renewable Power Generation Costs in 2019, 2020, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Jun/IRENA_Power_Generation_Costs_2019.pdf.

23 CEPS Taskforce Report, Toward a resilient and sustainable post-pandemic recovery – the new industrial strategy for Europe, ed. Andrea Renda & Malorie Schaus, June 2021, https://www.ceps.eu/wp-content/uploads/2021/06/IP-TF-Report-Executive-summary.pdf, pp.21-25.

On data, the story by **Timotheus Höttges of Deutsche Telekom** explains the need for a European ecosystem of secure, Europe-made digital IDs, with clear benefits for European citizens, e.g. putting them in full control over their identities online. The Single Market also has more to give: **Christian Klein of SAP** explains in his story how the lack of a Single Market in cloud computing holds European business back. A special case is the creation of a European Health Data Space, a sensitive and complicated issue, which after the Covid-19 pandemic must be addressed urgently, as explained by **Frans van Houten of Philips**. National and even local data pools on health are currently not interoperable. National health technology assessments (HTAs) also still pose a problem, as **Christoph Franz, of Roche**, explains in his story.

Cyber-threats are increasing, and we see a rising incidence of ransomware attacks and other exploits affecting not just companies and government bodies, but also energy infrastructure, water supply and hospitals.

Cyber-threats are increasing, and we see a rising incidence of ransomware attacks and other exploits affecting not just companies and government bodies, but also energy infrastructure, water supply and hospitals. ERT therefore supports a high level of ambition in the implementation of the EU's cybersecurity strategy.

Furthermore, AI use is set to be a key enabler of economic growth in Europe and is a strategic interest for Europe's global competitiveness. Strong ethical concerns about certain applications, however, risk ending up in overregulation[24]. A uniform regulatory framework is needed to address the cases which pose risks to fundamental rights but without hampering innovation.

The EU legal framework for a Digital Single Market should ensure that it (i) will provide legal certainty for all market players irrespective of which sales channels they use to offer their services, (ii) will set balanced responsibilities for all market players depending on their position in the supply chain, and (iii) will create a level playing field for all businesses that offer products to EU consumers wherever they are established.

FINANCE & CAPITAL

Well-functioning financial markets are a key element of the Commission's priority of establishing a Capital Markets Union (CMU), which is intended to help build a true Single Market for capital across the EU. Such a Market would mean better supply and deeper liquidity of the capital market, would greatly improve resilience in financial crises by making it easier to obtain capital other than through banks, and would allow SMEs and start-ups to tap venture capital more easily.

Jacob Wallenberg of Investor AB stresses that the underdeveloped European capital markets handicaps the financing of European companies and could prompt innovative European growth companies to seek finance outside of Europe, hereby weakening Europe's competitive position worldwide.

While the five-year CMU action plan published by the European Commission in September 2020 is welcome progress, ERT believes there now needs to be a strong commitment from Member States, as reform and bold action for deeper capital markets can only be taken with their support.

Underpinning the proposed reforms of financial markets is the need to deliver a minimum harmonisation of insolvency rules and withholding tax procedures. These are long-standing issues where further harmonisation is necessary to help build trust when investing across borders.

24 See ERT's Expert Paper on Data Sharing (June 2021) for further detail: https://ert.eu/wp-content/uploads/2021/06/ERT-Expert-Paper-B2B-Data-Sharing-FINAL.pdf.

3.2 Recommendations by policy area

The recommendations to address existing fragmentation or deficiencies are divided into four main categories: (A) Environment & consumption; (B) Energy; (C) Digital; and (D) Finance & Capital. These recommendations are in the first instance based on the stories from ERT Members regarding barriers to the Single Market that need to be addressed[25]. They focus on achieving more harmonisation across the EU.

In each case, proposals are divided into suggestions that the Commission and the Member States:

1. **manage** the implementation of existing legislation;
2. **revise** existing legislative frameworks; or
3. **deepen** the Single Market more fundamentally.

The aim is to build a true Single Market in Environment, Energy, Digital and Capital.

25 For a more comprehensive set of recommendations per sector, see amongst others the ERT paper "Mapping a New World with the EU Digital Compass" (https://ert.eu/documents/digitalcompass/) released in May 2021 and the ERT paper "Making the most of Europe's climate leadership" (https://ert.eu/documents/climate-leadership/) released in December 2020.

ENVIRONMENT & CONSUMPTION

Harmonise standards in the field of sustainability across the EU.

Manage

- Enforce a **consistent interpretation of product safety standards** across EU Member States. This will enable the EU to continue to set global standards.

Revise

- Bring forward proposals **to harmonise recycling-related symbols and markings** on packaging (including the 'Green Dot' initiative, which signifies that the company takes part in an extended producer responsibility scheme for the recovery, sorting and recycling of product packaging waste), within the context of a broader harmonised approach to the circular economy.
- Amend the Single-Use Plastics Directive to include **a uniform biodegradability standard**, and allow for a different treatment for biodegradable plastic under this Directive. This Directive also limits itself to the first offering of a product "on the market of a Member State" rather than of the Union, which is highly questionable under Single Market principles and could also be addressed at the same time.
- **Harmonise 'green' regulations related to consumer and industrial products** (e.g. paint) and the built environment, including those related to air quality, while building on the Single Market in the Green Products initiative.
- Ensure that the "efficient and green mobility package" drives a **harmonised and coordinated approach towards the implementation of zero-emission city zones**; not just airports and ports as is currently the case under the Sustainable and Smart Mobility Strategy.
- Bring forward a **single harmonised approach to the use of sustainable aviation fuels** (SAF) and accompanying incentives. The proposed ReFuelEU Aviation initiative in the *Fit for 55* package seems to aim for such an approach with an overall goal of setting out harmonised rules at European Union level, in order to maintain a competitive level playing field, increase the uptake of SAF by operators and its distribution at Union airports.
- Further **refine the EU's green finance/taxonomy criteria** to better include the enabling effects of ICT, including 5G connectivity (support the 'greening of' and 'greening by' digital applications: in other words, both greening ICT, such as by making its technology more energy-efficient, and using ICT to green other sectors, such as by reducing the need to travel).

Deepen

- **Build an Environmental Union** and establish **common European standards** based on the life-cycle approach, **and on the existing international standards for green products and services** that fall under EU regulations.
- Develop **minimum sustainability standards** across all areas of the Single Market.
- Develop a functioning **Single Market for waste transport**, replacing the current patchwork of national waste rules with a single framework and rulebook.

ENERGY

Harness new technologies and create new incentives for both public and private sector investment.

Manage

- Ensure carbon leakage protection to guarantee the competitiveness of EU industry while incentivising the transition towards climate neutrality.
- **Harmonise the scheme of Guarantees of Origin for renewable energy production**, also in combination with Power Purchasing Agreements (PPAs), while ensuring credible traceability, to meet the rising demand for customer disclosure.
- **Ensure the eligibility of a sufficiently large range of feedstocks compatible with the Renewable Energy Directive (RED II)**, such as for Sustainable Aviation Fuel Production, to better support the new blending mandates proposed as part of the *Fit for 55* package[26].
- Ensure that state aid mechanisms, such as compensation for the indirect CO_2 costs, are maintained to provide the longer-term regulatory certainty needed for investments (as long as the electricity mix is not yet fully decarbonised).
- Keep a technology-open approach to generating CO_2-free hydrogen.

Revise

- **Update the rolling ten-year Network Development plan to take account of increased demand** by removing bottlenecks and allowing renewable electricity to pass from regions with abundant energy production to industrial consumers.
- **Update the State Aid framework** to facilitate national governments in making increased and quicker investment into low, and ultimately zero, emissions technologies; and, in particular, interconnection capacity. Adopt the Do No Significant Harm principle.
- Introduce EU guidelines to **streamline the permitting system** in the review of the Renewable Energy Directive, including a benchmarking system, and support Member States in expediting project permits.
- Remove levies and charges on Renewable Energy Sources (RES) for industrial consumers to unleash the electrification business case.

Deepen

- Shape a **real Energy Union** by urgently expanding cross-border grid capacities (in electricity, hydrogen, and CO_2) and increase access to renewable energy sources across EU Member States for industry. In terms of infrastructure, remove grid bottlenecks and ensure that cross-border interconnectors enable a free flow of energy across the EU.
- Develop a common EU framework for the interoperability of electric vehicles' charging points and hydrogen refuelling stations. Encourage the Member States to roll out a zero-emission vehicle charging infrastructure. **Negotiate the Alternative Fuels Infrastructure Regulation (AFIR) and TEN-T (Trans-European Transport) Guidelines** to support renewable-based electrification, the deployment of e-mobility at scale, and hydrogen as a fuel. Develop an electricity connection infrastructure in EU ports and airports.

26 European Commission, Proposal for a Regulation of the European Parliament and of the Council on ensuring a level playing field for sustainable air transport, COM (2021) 561 final, Annexes 1 to 2, 14 July 2021, https://ec.europa.eu/info/sites/default/files/refueleu_aviation_-_sustainable_aviation_fuels.pdf. From 2025, a minimum share of 2% of SAF will be required; in 2050, this will be 63%.

- Continue implementing the 2019 Electricity Directive and Electricity Regulation towards the development of a true internal energy market. Coherent implementation of agreed EU legislation in the EU Member States is key.
- Adopt a revised plan to strengthen efficiency in energy markets, including as much as possible harmonisation of electricity taxation, and removing barriers for industry to enter into renewable power purchase agreements (PPAs), with the aim of creating a **common European electricity market** and supporting the green transition. The aim should be the evolution towards a harmonised system.

DIGITAL

The EU should translate its desire for global digital leadership into concrete policy actions that incentivise private investment in networks, drive global standard-setting and promote innovation.

Manage

- **Simplify and accelerate the schedule for radio and 5G spectrum auctions** across the EU, as these support private sector investment in networks. Coordinate on a common framework for awarding licences and quality-of-service requirements, and aim to establish a common system.
- **Ensure that the Digital Compass targets for gigabit networks and 5G roll-out are met** by designing and implementing a framework supportive of private investment; the co-legislators should approve the monitoring and governance framework set out in the Path to a Digital Decade.
- **Improve the EU business environment** to support the scaling-up of European tech start-ups.

Revise

- The e-privacy Regulation should be closely aligned with the GDPR's risk-based, harmonised, and horizontal approach to data protection, to **avoid creating unnecessary barriers to B2B data sharing** and to ensure more consistent implementation of GDPR across the Single Market so that there is a level playing field with consistently high standards on data protection and privacy.
- **Adapt EU competition law to the digital era[27] and reconsider state aid policy.** Accelerate the roll-out of 5G and deliver connectivity for the EU's rural regions. This will contribute to achieving the EU's objective of open strategic autonomy.
- Develop a clearer common legal framework supporting **mobile network-sharing agreements**, which provides the industry with legal certainty. It should also facilitate efficient deployment of and co-operation on joint edge-cloud endeavours.
- **Increase cybersecurity resilience** in the EU through harmonised rules and increased cooperation, and fair allocation of liability rules within the value chain.
- Renew efforts to bring forward a Regulation to **harmonise health technology assessments** across the Single Market, so that there is a single European assessment of the effectiveness, cost-effectiveness, and likely budgetary impact of health technologies, such as medicines, medical devices, diagnostic tools, and surgical procedures, rather than differing national assessments.

Deepen

- **Create a Single Digital Market** by establishing common data standards and data exchange models to ease data sharing across EU Member States. Promote the interoperability of data within the EU.
- Develop and align strategies for the **further improvement of the EU's international connectivity** through submarine cable, to facilitate the EU's exports of digital services, and to underpin the creation of an EU 'Global Gateway' initiative. Develop

27 See the ERT paper 'Competing at scale: EU competition policy fit for the global stage', October 2019, for a further examination of how to align competition enforcement with the demands of the modern digitised economy: https://ert.eu/documents/competing-at-scale-eu-competition-policy-fit-for-the-global-stage/.

and support the creation of IPCEIs on cloud and network evolution.

- Develop a **common digital framework (e.g. ISO 19650 standard) for buildings**, including by applying standardised building information modelling (BIM) to building standards, and incentivising the construction of digital twins (a Single Market in buildings).
- Develop the **'Health Data Space'** at EU level to drive interoperability between national systems. The Commission's forthcoming proposals should include the right regulatory and technical conditions for a quick rollout.
- More (data-driven) transparency about capacities and shortcomings should be realised at EU level in a **health union**, followed by selective common action and increased competences of the ECDC and EMA, as proposed by the Commission. This could be usefully complemented by reinforcement (e.g. an EU Regulation backed by funding) of joint procurement, now still a cooperative exercise each and every time which lacks strategy and leaves degrees of uncertainty[28].
- Develop a **common legal framework for the validation of digital documents**, concluding the legislative process to provide an EU-wide digital ID system based on common standards.
- Drive the development of common standards across national jurisdictions related to the **Internet of Things**.
- Ensure that the AI Regulation becomes **an innovation-friendly framework to support artificial intelligence** across the entire EU.
- Learn the lessons from the patchy roll-out of 5G, and equip the European Commission with the tools to ensure a faster and more coordinated roll-out of **6G**.

28 Joint procurement can effectively pre-empt the 'me first' conduct by Member States in a crisis or more generally. Such behaviour undermines the Single Market and accentuates inequalities. In health-related joint procurement the 'MEAT' principle ('most economically advantageous tender', now still optional in EU public procurement rules) ought to be compulsory. This principle could, for instance, cover considerations about the security of supply.

FINANCE & CAPITAL

The EU should press ahead with its plan for the Capital Markets Union, increasing the supply of equity capital and facilitating cross-border investment within the Single Market.

Manage

- **Implement the European Commission's Capital Markets Union Action Plan** of September 2020. To ensure progress can be made, we believe there is a case for prioritising and sequencing the 16 actions.
- **Accelerate the implementation of a European Single Access Point** for company information, to promote cross-border investment.
- Remove barriers to fin-techs' access to finance across the Single Market. Ensure consumer protection regulation is balanced with a pro-competition environment to enable fintech growth and future investment.

Revise

- Complete the **reform of the EU's insolvency regime** and adopt minimum standards for insolvency laws across the EU.
- **Deliver on the aspirations of the Retail Payments Strategy** to encourage further innovation in EU payments, such as faster, safer and more competitive cross-border consumer payments.

Deepen

- **Accelerate the creation of a Capital Markets Union** by implementing the European Commission's Action Plan of 2020 and even updating this Action Plan to make it more ambitious.
- The Commission should address the **crucial 'European safe asset'** so that a deep and liquid EU-wide bond market can finally come about. It should tackle the investment funds markets' excessive costs, better disclosure (with data that is easy to find) and a more powerful role for ESMA, which should continue to cooperate with other EU and national agencies.
- **Address divergent taxation systems** between Member States. Harmonise the tax base by agreeing on a common consolidated corporate tax base under the 'Business in Europe Framework for Income Taxation' (BEFIT).
- Develop a **clear common sustainability framework for cross-border investment**. The framework ought to enable the integration of sustainability indicators into investment decision-making in a simple, reliable, and comparable way, based on the EU Taxonomy.

3.3 Recommendations on standard-setting

Whereas the New Approach (initiated in 1985) for the removal of technical barriers and the reliance in EU regulation on many thousands of European harmonised standards has served Europe well, there is currently insufficient appreciation in the EU Institutions of the accomplishments of the European standards system – in the EU and worldwide. This lack of appreciation shows up in recent Commission pressures for a partial return to both more political and legalistic attitudes to European standardisation.

This is a regrettable and potentially costly development and risks undermining the very constructive and effective EU influence on world standardisation, possibly damaging global and European value chains which are relying heavily on world-class standards. ERT is concerned about this double loss.

ERT has already joined Orgalim, BusinessEurope, DigitalEurope and 15 other industry associations in February 2021 for a common Letter[29] on this issue and we support the Joint Industry Recommendations of 6 July 2021 for effective Harmonised Standardisation[30].

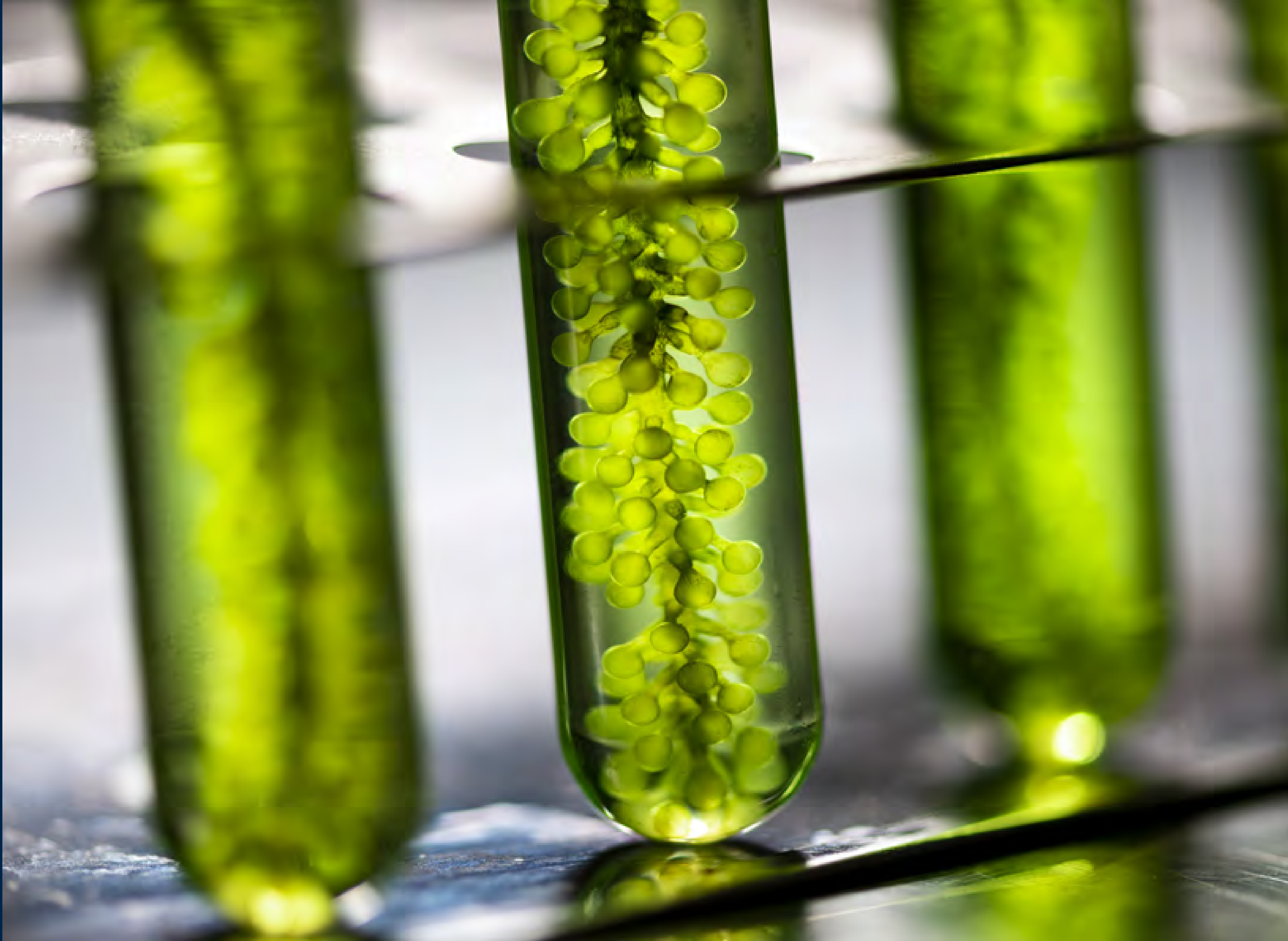
Technical details of legislation should be elaborated by industry-led standardisation bodies. Industry-led does not mean industry-controlled: it refers to a profound knowledge of market needs, risks, and unmatched technical expertise, whilst respecting the voluntary nature of standards, participation by consumers and SMEs and the public debate about draft standards. In short, it covers the whole area of standards development and its governance processes. By referencing standards in EU legislation, the legislation becomes more dynamic, will reflect best practice faster and will speed up the legislative process.

As the story from **Henrik Ehrnrooth of KONE** shows with the example of lift safety, if Member States add different and contradictory national requirements to European Directives, standards could become a source of fragmentation between European markets. This would recreate de facto trade barriers within the Single Market, undermine the value or the meaning of the CE label and raise import prices, to the detriment of end-consumers. By contrast, European standards that are properly defined with industry are a prerequisite for Europe to effectively influence and shape international standards.

There is rightly a consensus that the EU needs sustainable innovations and business behaviour. Regulators should take a balanced approach to achieve this. The demand from capital markets and consumers cannot deliver this alone, so regulation is sometimes required. But it is not always necessary: the market is already exerting pressure to achieve standards which deliver on the goals of the twin transitions. The strength of consumers and capital can be leveraged and be the better, quicker tool. Thus, regulation should only be resorted to when strictly needed. CEN-CENELEC has already promulgated a range of standards on aspects of the 'Green Deal'. ETSI also has an Energy Efficiency committee contributing to the objectives of the Green Deal and the twin transitions. These bodies clearly stand ready for standardisation which will serve the Green Deal, and the EU should make ample use of this competent capacity.

29 Orgalim et al, Internal Market: Joint open letter on industry competitiveness and EU standardisation, 1 February 2021, https://orgalim.eu/position-papers/internal-market-joint-open-letter-industry-competitiveness-and-eu-standardisation.

30 Orgalim, Internal Market: Joint Industry recommendations for effective Harmonised Standardisation, 6 July 2021, https://orgalim.eu/position-papers/internal-market-joint-industry-recommendations-effective-harmonised-standardisation.



4. Actions to strengthen the Single Market

4.1 Rationale for more action on the Single Market

A shared priority by the business community

The European Council has agreed on many statements over the past years calling on the Member States and EU Institutions to pursue credible and effective strategies to improve the Single Market[31]. The European Commission has published dozens of reports with recommendations and proposals, as has the European Parliament[32]. But good, timely and harmonised implementation of what has already been agreed is a *sine qua non*.

As Executive Vice President Vestager argued, the Single Market is like a lawn that must be tended to. It is not a project that can ever be fully 'completed'.

However, there can be a discrepancy between the high-level political goals and the considerable administrative and technical effort needed to generate real progress in removing barriers to cross-border business operations. As ERT Members' stories make clear, targeted changes to legislation or the approach to standards can mean the difference between economic success and opportunities lost[33].

At a time when companies must radically innovate and gear their operations towards achieving the ambitions set by governments to reduce CO_2 emissions, a similar effort from the public sector at all levels is urgently required to improve the ease of doing business, simplify administrative procedures and harmonise rules across the European Union.

Moreover, besides the barriers that have already been identified, **potential market fragmentation** is a growing risk in new markets. In markets that are still under development, such as 5G and renewables, the danger of fragmentation is real and this ought to be firmly prevented, as argued by, among others, **Guillaume Faury of Airbus**, regarding renewable technology standards. In emerging markets such as H_2 (hydrogen), health data and the cross-border segment of waste, ERT urges the full harmonisation of rules at the EU level. **Martina Merz of Thyssenkrupp**, **Christoph Franz of Roche** and **Ilham Kadri of Solvay** all explain the need for further harmonisation in their respective stories.

Besides the stories from ERT Members, business associations repeatedly call for

31 European Parliament, A strategy for completing the Single Market: the trillion euro bonus - Report of the High-Level Panel of Experts to the IMCO Committee, 11 January 2016, https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_STU(2016)558772. A recent and telling illustration can be found in Annex 5 on pp. 88-106: it merely lists the crucial sentences in European Council statements between 2010 and 2015 (see left column).

32 European Commission, Business Journey on the Single Market: Practical Obstacles and Barriers, SWD(2020) 54 final, 10 March 2020, https://ec.europa.eu/info/sites/default/files/eu-single-market-barriers-staff-working-document_en.pdf. Accompanying document COM(2020) lists 31 general obstacles and no less than another 52 types of sectoral barriers, many of which may fall in this category. This inventory complements detailed, more analytical reporting commissioned by the European Parliament under the 'Costs of Non-Europe' (since 2013/4): Most recently, Erik Dahlberg, Jacques Pelkmans et al., 'Legal obstacles in Member States to Single Market rules', report to the Internal Market Committee of the EP, December 2020, pp. 165, www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU(2020)658189_EN.pdf. Another relevant document is: the 2010 Monti report : A new strategy for the Single Market at the service of Europe's economy and society, 9 May, https://ec.europa.eu/docsroom/documents/15501/attachments/1/translations/en/renditions/pdf; And another one is Upgrading the Single Market: more opportunities for people and business, COM(2015)550 of 28 October 2015.

33 Previous efforts to improve the Single Market, such as the High-Level Group on Administrative Burdens, show the significant cumulative impact of reforms: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_574 (Q&A, October 2014).

renewed attention from the European Commission and the EU Member States for addressing obstacles and improving the "governance" of the Single Market:

1) **BusinessEurope** published a position paper on the "Single Market Governance Package" in June 2020[34], followed by a series of examples of Single Market barriers for businesses in September 2020[35]. They have referred to administrative requirements for short-term postings of workers and business trips, harmonised standards, waste shipment regulation, points of single contact, company law form for SMEs and Transport infrastructure. In 2021, through Letters addressed to Commissioner Breton, BusinessEurope requested "zero tolerance to barriers in the Single Market" and called on the Single Market Enforcement Task Force (SMET) to deliver. The need was reiterated to "react to every barrier listed in the Commission Communication on 'Identifying and addressing barriers to the Single Market' of 2020 and in the Annual Single Market Report of 2021"[36].
2) **EUROCHAMBRES** published the result of a Business Survey in December 2019 regarding the "State of the Single Market – Barriers and Solutions"[37]. It contains a list of policy recommendations for the 2019-2024 term, including the reduction of complexity in cross-border trade and moving ahead in the Single Market for Services. It calls on all EU Institutions and EU Member States to "do more than only paying lip service to the improvement of the Single Market".
3) **Eurocommerce** regularly makes overviews of Single Market Barriers[38]. These documents note that the "Single Market is far from complete" and stipulate per each EU Member State which barriers retailers and wholesalers are still facing.

The uniform call to action from the business community towards the public sector is about addressing bottlenecks more structurally and decisively.

To accelerate the green and digital transition, the fundamental Single Market freedoms and the necessary scale for rolling out new solutions have to be guaranteed and further fragmentation needs to be avoided.

To this end, the private sector continues to request better enforcement through proper use of infringement proceedings, vetting national legislation on its compliance with European law in an *ex ante* fashion, boosting the capacity of problem-solving services like SOLVIT and overall a stronger political *and* administrative commitment to the Single Market by the EU Institutions and the Member States. This ultimately means a stronger Single Market governance system should be created.

As Europe embarks on the path to recovery after the economic shock from the lockdowns, it is now time for an encompassing new programme on the Single Market that jumpstarts the process of European integration.

Targeted changes to legislation or the approach to standards can mean the difference between economic success and opportunities lost.

34 BusinessEurope, Position Paper on Single Market Governance Package of March 2020, 10 June 2020, https://www.businesseurope.eu/sites/buseur/files/media/position_papers/internal_market/2020-06-10_businesseurope_position_paper_single_market_governance_package.pdf.

35 BusinessEurope, Examples of Single Market barriers for businesses, September 2020, https://www.businesseurope.eu/publications/examples-single-market-barriers-businesses.

36 BusinessEurope, Letters to Commissioner Breton, 16 April 2021 and 22 September 2021, https://www.businesseurope.eu/sites/buseur/files/media/public_letters/imco/2021-04-16_mbe-t.breton_-_singlemarketenforcementtaskforce.pdf and https://www.businesseurope.eu/sites/buseur/files/media/public_letters/imco/2021-09-22_mbe-t.breton_-_single_market_aspects_in_the_industrial_strategy.pdf.

37 EUROCHAMBRES, Business Survey – The state of the Single Market: Barriers and Solutions, December 2019, https://www.eurochambres.eu/wp-content/uploads/2020/08/Business-Survey-The-state-of-the-Single-Market-Barriers-and-Solutions-DECEMBER-2019.pdf. The survey was taken amongst entrepreneurs and showed that 70% found that the Single Market is not sufficiently integrated. As regards to services, 71,6% of entrepreneurs says that "various national services rules" constitute a significant obstacle.

38 Eurocommerce, Single Market Barriers Overview, 11 May 2021, https://www.eurocommerce.eu/resource-centre.aspx#Publication/13472.

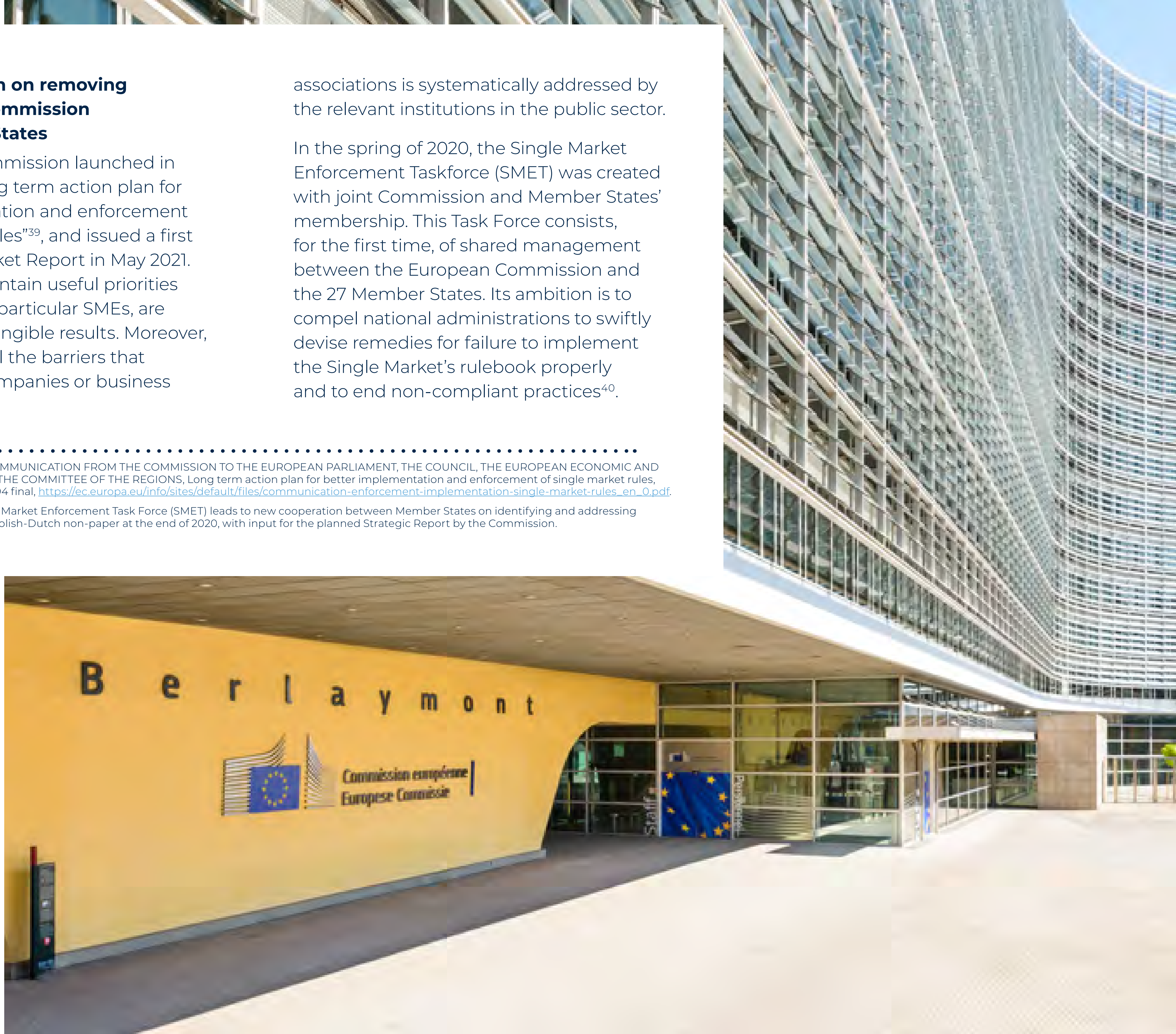
Insufficient action on removing barriers by the Commission and EU Member States

The European Commission launched in March 2020 a "Long term action plan for better implementation and enforcement of Single Market rules"[39], and issued a first Annual Single Market Report in May 2021. The documents contain useful priorities but companies, in particular SMEs, are eagerly awaiting tangible results. Moreover, only a fraction of all the barriers that are reported by companies or business associations is systematically addressed by the relevant institutions in the public sector.

In the spring of 2020, the Single Market Enforcement Taskforce (SMET) was created with joint Commission and Member States' membership. This Task Force consists, for the first time, of shared management between the European Commission and the 27 Member States. Its ambition is to compel national administrations to swiftly devise remedies for failure to implement the Single Market's rulebook properly and to end non-compliant practices[40].

39 European Commission, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, Long term action plan for better implementation and enforcement of single market rules, 3 March 2020, COM(2020) 94 final, https://ec.europa.eu/info/sites/default/files/communication-enforcement-implementation-single-market-rules_en_0.pdf.

40 The work within the Single Market Enforcement Task Force (SMET) leads to new cooperation between Member States on identifying and addressing barriers, for instance, the Polish-Dutch non-paper at the end of 2020, with input for the planned Strategic Report by the Commission.



Whereas the ambition is noble and the concept is innovative, the SMET Report[41] of September 2021 reveals some initiatives by the EU Member States on barriers that have been identified but the overall progress seems rather limited. When describing the 'goals' or the 'actions taken so far', the SMET report refers to "screening the existing requirements", "launching a dialogue", "continuing the discussions in order to avoid any misperceptions", "providing an overview... in order to identify provisions that are disproportionate", a "proposal is being prepared to remove unnecessary document requirements" and "new notifications have been made". These status updates are helpful but do not reveal any substantial breakthroughs in removing barriers.

The achievement of the SMET is that barriers are being removed which were already flagged many years ago but without real success at that time. Admittedly, making even smalls steps requires a lot of work from the SMET members. The positive efforts need to continue and, in order to accelerate progress, more time and resources should be dedicated by public sector institutions (at EU and national level) to act on very concrete obstacles, and to engage regularly with the private sector.

Regrettably, there is currently little or no engagement with business by the SMET. This opportunity should be seized because businesses often have the clearest view of where problems exist and whether solutions are being implemented.

Businesses and consumers in Europe must have confidence that the Single Market works for them. It will be essential to associate the private sector with the activities and working agenda of the SMET and DG GROW through scheduled consultation and better public reporting to tackle and actually solve the problems businesses encounter.

Principles for improving the Single Market

Given the scale of the challenge, ERT believes that the EU should approach the next stage of deepening economic integration and renewing the Single Market with a new governance structure based on a clear set of principles:

1) **Speed and simplicity:** More mutual recognition of national legislation and industry-led standardisation is needed. Decision-making in the EU is too slow, and the removal of barriers should be accelerated.
2) **Aligning ends and means:** To achieve its Single Market goals the EU must use its entire toolbox and ensure that day-to-day decisions are fully aligned with the political objectives and targets to achieve the green and digital transitions. The Commission and the Member States should be bold in employing harmonisation wherever it is necessary and shape the right governance structure.
3) **Better enforcement:** Better enforcement of common rules is needed to ensure consistency of Member States' interpretation of EU legislation. The Commission and Member States should address market fragmentation pro-actively and own this agenda together.

These principles arise from the 30 stories provided by ERT's members on how the Single Market could do more and the calls from our partner organisations in the business community.

This chapter therefore looks at what their application would mean first, in terms of the mechanics of the Single Market, second, what it would mean for the European Commission to take up a more pro-active role and, third, the fundamental question of the division of competences between the national and EU level.

41 Council of the European Union, Information from the Commission on the SMET to COMPET, September 2021: https://data.consilium.europa.eu/doc/document/ST-11965-2021-INIT/en/pdf.

4.2 Mechanics for managing the Single Market better: streamlined reporting & follow-up

Although statements by Europe's political leaders may be encouraging, it is chiefly **detailed expert action** in specific areas which delivers effective improvement of the Single Market. More expert work should take place at both EU and Member State levels.

To address some of the existing barriers and improve implementation and enforcement of rules, permanent management of the Single Market must necessarily include:

a) better implementation of Single Market rules and obligations by the Member States,

b) stricter enforcement by EU Institutions and by all Member States, and

c) technical refinements or updating of prevailing rules and procedures[42].

Enforcement may be technical and legal, but it is critical for the Single Market's functioning as well as its global influence. Success, as this paper argues, depends on the Commission and Member States' "joint ownership" of realising the Single Market's potential. It will require tenacity and administrative ingenuity to overcome vested interests in several sectors and Member States[43]. There is a need to act much more swiftly against Single Market violations, and EU Member States should take their full responsibility when the European Commission reaches out to prevent or solve these.

The IMCO Committee of the European Parliament produced a very valuable report in November 2020 on *Legal Obstacles in Member States to Single Market rules*[44], which captures a wide range of problems. The European Commission should look at the enforcement issues raised and consult businesses on such barriers closely. The Commission should integrate such lists of obstacles more meticulously in its work programme and report more regularly on how these are addressed.

The European Commission's **Annual Single Market Report** can play an important role in drawing together new initiatives, evaluations of EU Regulations and enforcement questions to ensure that individual policies are not looked at in silos. Annex 4 of the 1st edition of the Annual Single Market Report sets out key performance indicators (KPIs), some of which cover the integration of the Single Market. An important KPI is intra-EU trade to measure Single Market Integration, as well as price convergence[45].

Furthermore, the Single Market Performance Report is equally necessary as

To ensure proper follow-up, more diligent and streamlined reporting will be needed, which also takes into account the barriers identified by actors from the private sector.

42 Note that many EU Regulations and Directives are linked to thousands of European harmonised technical standards. As a rule, CEN/CENELEC reviews such standards every 5 years e.g. for technical progress.

43 Three examples: (1) national voluntary labels have once come up for reasons of safety, animal welfare and the environment. However, too many (not perfectly substitutable) labels in the Single Market are counterproductive for consumers (and may disadvantage non-national business) but many of them have their own vested interests. ; (2) the six modes of transport in the EU have long been liberalised but unfortunately this does not mean that transport services are uniformly regulated and free movement of services prevails: of the 52 sectoral barriers in the Business Journey paper (see above), no less than 15 are found in transport. ; (3) in retail direct cross-border investment in the EU is free in principle but by no means in practice. In 2017 the Commission published a Retail Restrictiveness Index which clarified the many restrictions of local establishment as well as those on operations once the investment has been made.

44 Study requested by the IMCO Committee, 'Legal obstacles in Member States to Single Market rules', November 2020, https://www.europarl.europa.eu/RegData/etudes/STUD/2020/658189/IPOL_STU(2020)658189_EN.pdf.

45 As these KPIs may be imperfect measurements if they stand alone, they should be accompanied by comprehensive qualitative analysis on the removal of barriers. The KPIs set out in ERT's paper Putting the Industrial Strategy into action offer a broader and more detailed coverage of relevant indicators. Specific and sectoral KPIs can be more targeted and precise than broader measurements such as intra-EU trade, which face difficulties capturing the evidence in any granular way. In particular, the 5G adoption rates and the business digitisation KPIs, as envisaged by the Commission, measure progress in the Digital Single Market, while venture capital investment measures progress in banking and finance and is a KPI for the Capital Markets Union. More info in: https://ert.eu/wp-content/uploads/2020/11/ERT-Publication-Putting-the-EU-Industrial-Strategy-into-action_Nov-2020.pdf.

the basis for further action and corrections. And we welcome the upgrading of the Single Market Scoreboard. It is already a key tool and, as the Study for the Commission in May 2020[46] argues, its coverage should be expanded to new policy areas "to better assess Single Market performance, including barriers to its realisation, and the benefits for businesses and consumers".

Another relevant report is the Commission's regular assessment of the implementation of the Services Directive. The last edition noted that "Across ecosystems, too many barriers remain that need to be addressed both at the EU and national and regional level"[47].

Notwithstanding the useful insights in the Scoreboard and the plethora of reports, their impact remains marginal if the findings are incomplete or not matched by action from policymakers, at EU and national level, to get rid of the barriers.

To ensure proper follow-up, more diligent and streamlined reporting will be needed, which also takes into account the barriers identified by actors from the private sector. The Single Market Enforcement Taskforce (SMET) should be reinforced to deal more rapidly with the multitude of barriers that have been identified. Following the adoption of the Gateway Regulation in 2018, the European Commission and national administrations should speed up the development of the Your Europe portal[48] and make it more accessible for companies, such as via a live helpdesk. The systems and forms that have so far been made available for companies to report on barriers are too static and cumbersome. More flexible tools should be used to enable businesses to submit complaints.

Part of the answer also lies in increasing the involvement and political commitment of the Competitiveness Council, and even the European Council. A positive development would be the integration into the European Semester process of Member State specific recommendations regarding the obstacles for companies which they need to remove. Another useful instrument would be the Commission's Annual Work Programmes, which should spell out the actions on addressing barriers in the Single Market.

The ultimate objective should be to arrive at regular, systematic and integrated reporting by the European Commission on all barriers related to the Single Market across all policy areas ranging from environment, energy, digital to capital. This means that also aspects related to the CMU should be incorporated in the Annual Single Market Report. Progress should be meticulously tracked, and pro-actively discussed in the Parliament and Council, and with the business community.

46 European Commission, Study to Develop an Upgraded Single Market Scoreboard as a Governance Tool for the Single Market, May 2020, https://ec.europa.eu/internal_market/scoreboard/_docs/2020/survey/final-report_en.pdf.

47 European Commission, Mapping and assessment of legal and administrative barriers in the services sector, April 2021, p. 14, https://op.europa.eu/en/publication-detail/-/publication/6d8d8858-a756-11eb-9585-01aa75ed71a1/language-en. These assessments should be carried out regularly in the context of Article 41 of the Services Directive, which is mandating the Commission to prepare comprehensive reports on the application of that Directive.

48 More info on Your Europe's website: https://europa.eu/youreurope/index_en.htm.

4.3 Devising solutions at the European level

The well-intended political declarations, the complex landscape of reporting and the complicated administrative architecture to deal with concerns voiced by the business community have all been unable so far to satisfactorily tackle the many problems which companies face.

As the EU Institutions and national governments have so far fallen short of creating the step change that is needed, we have come to believe that more 'breakthrough innovation' in modernising the governance of the Single Market is urgently required to overcome some structural obstacles and avoid administrative inertia.

More European solutions should therefore be designed, spearheaded by an ambitious and more pro-active European Commission.

More 'breakthrough innovation' in modernising the governance of the Single Market is urgently required.

A more pro-active role for the European Commission

Services Directive

The 2006 **Services Directive** covers no less than 46 % of EU GDP and the economic importance of its proper implementation goes beyond services, since services are often critical for the quality and competitiveness of final industrial products in global value chains.

The wide-ranging Directive banned very restrictive practices by Member States in services trade and in intra-EU FDI. It also aimed at limiting national regulation of services. However, despite the progress that has been made, there are serious gaps which prevent the Directive from fulfilling its promise. The latest report by the Commission on the application of this Directive concluded that: "The overall speed of barrier reduction must be characterised as slow. More reform efforts are needed in order to achieve the overall objective of the Services Directive to remove regulatory and administrative barriers faced by service providers when operating in the Single Market"[49]. In terms of effective and full implementation, the glass is thus only half full[50].

Furthermore, the Proportionality Test Directive[51] for professional services can only be regarded as an accomplishment once solid detailed reporting about its national implementation demonstrates that Member States' laws have been amended – driven by proportionality tests; and hence, that undue restrictions have been reduced significantly. This is currently lacking, and citizens and European businesses are left in the dark on whether this potentially useful Directive is having a material effect on the single services market.

There are also myriad restrictions to intra-EU cross-border business in construction and installation services, such as the new and uncoordinated restrictions imposed by the Member States when companies want to post workers in other EU countries. Active, pro-Single Market intervention by the European Labour Authority is desirable.

49 European Commission, Mapping and assessment of legal and administrative barriers in the services sector, April 2021, p. 13, https://op.europa.eu/en/publication-detail/-/publication/6d8d8858-a756-11eb-9585-01aa75ed71a1/language-en.

50 For a survey of the implementation and refinements of the Service Directive over the 12 years (and the remaining deficiencies) until 2018, and a proxy of the economic gains, see Jacques Pelkmans (2019), The Single Market for services, study for the Internal Market Committee of the European Parliament, February 2019, pp. 76: www.europarl.europa.eu/RegData/etudes/STUD/2019/631054/IPOL_STU(2019)631054_EN.pdf.

51 Directive (EU) 2018/958 on a proportionality test before adoption of new regulation of professions, OJEU L 173/25 of 9 July 2018. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on taking stock of and updating the reform recommendations for regulation in professional services of 2017, SWD(2021) 185 final, 9 July 2021, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0185&from=EN. This latest report concludes – with great detail – that only modest progress in some EU Member States has been made, whilst also noting retrogression in several EU Member States. It is a sad conclusion.

The noticeable lack of a single EU A1 form for posting, and all the complications this entails, ought to be remedied immediately by Member States jointly, as *bonafide* firms are currently being punished, and the fundamental freedom to provide cross-border temporary services is not respected[52].

All these gaps should be addressed urgently by the Commission in partnership with Member States. A full implementation of the Services Directive is needed as the gains would be substantial[53]. The further blossoming of services under this super-Directive, as well as those falling under a class of 'regulated' services (e.g. the six modes of transport, financial services, professional services), is critical for European industry, its competitiveness and overall EU economic growth. Under the Services Directive, much more detailed attention to protectionist retail restrictions is indispensable, at the regional and local levels.

Mutual recognition of goods

Specifically on the mutual recognition of goods, Member States should be encouraged to recognise the Commission's role via the new SOLVIT procedure (which allows the Commission to give its opinion upon request) and of the Joint Mutual Recognition Committee (according to the 2019 Mutual Recognition Regulation).

If a product conforms to the rules of its country of origin in the EU and this legislation has the same goal as the corresponding regulation in another Member State (e.g., risk objectives such as consumer protection and protection of health, safety, and the environment), then the product can be circulated in the other Member State.

However, as the stories from **Jean-Paul Agon of L'Oréal** and **Guido Barilla of Barilla** show, when the Member States do not recognise each other's product packaging labels, consumers become confused and financial burdens for businesses are created.

The European Commission should actively seek harmonisation where possible, based on European standards and after scientific risk assessment as well as permanent participation of the involved industry (e.g. this has recently been accomplished for most fertilisers but, in construction materials, business is still working with the Commission).

Boosting infrastructure at the EU level

ERT first advocated in 1984 the idea that infrastructure transcends the national borders and needs to have an EU dimension. High-quality infrastructure, without intra-EU borders and without distortions or restrictions, is critical for making the Single Market work effectively in a multitude of areas, ranging from telecoms to gas and electricity as well as rail freight. Several of our Members' stories are addressing current shortcomings in the EU's infrastructure.

For example, to ensure proper 5G coverage across the EU, the European Commission will need to take a more proactive role. This is illustrated by **Pekka Lundmark of Nokia**, who argues that despite the EU's stated ambition to lead in 5G, the current delays in spectrum assignments are hampering the rollout of 5G services across the bloc.

Martin Brudermüller of BASF sets out that insufficient interconnectors and grid bottlenecks prevent many of its manufacturing sites to benefit from sustainable energy produced across the border. For network industries such as gas and electricity, the Green Deal should create incentives for private investments in cross-border infrastructure, including an EU backbone electricity recharging network for light and heavy road transport. This is supported by **Zoltán Áldott of Mol**, who calls for improved administrative procedures and smarter taxation within the Energy

52 See e.g. BusinessEurope, Examples of Single Market barriers for businesses, Sept (case on admin requirements for short-term postings), 2020, https://www.businesseurope.eu/publications/examples-single-market-barriers-businesses.

53 See further in Pelkmans (2019) for an estimation of the expected economic gains of the further (full) implementation of the Directive beyond what had been accomplished by 2019: some extra €389 bn or 2.28 % of EU GDP at the time.

Union framework to support investments required to drive the green transition.

Furthermore, the Green Deal must be able to rely on widespread and competitive EU rail freight services to shift freight transportation via trucks towards rail. In EU transport markets, this must imply freight rail becoming the preferred price/quality option for those business shippers loading suitable goods under appropriate delivery conditions. This is not only a matter of building more rail tracks and advanced signalling. Progress with the advanced signalling system ERTMS is too slow and – so far – no shift towards a larger market share of freight rail has been accomplished. It is a systemic issue for intermodal transport competition as the rail freight sector will have to achieve quality competition before shippers will chose transport via rail above roads. We appreciate the emergence of 11 genuinely European 'rail freight corridors' but sustained effort will be needed for several years to shift enough trucks away from the roads. For rail freight to be more competitive and ubiquitous, another decade or two of active extension and upgrading of EU-related infrastructure will be required.

To build and shape modern infrastructure at a scale that can facilitate transnational business operations, in digital, energy and transport services, the Commission should – in cooperation with the Member States – foster the creation of seamless cross-border infrastructure. This can be done by creating the right incentives for private sector investment, through public financing via the EU Regional and Cohesion Funds as well as under the new EU Recovery Fund and enabling more funding as well as coordination competences at EU level.

Deepening through harmonisation

Businesses express their concern that, in some situations, Member States do not properly balance national and common EU perspectives. **There should therefore be greater incentives for Member States to choose common solutions, which decisively help the Single Market in its proper functioning and avoid fragmentation.**

Businesses express their concern that, in some situations, Member States do not properly balance national and common EU perspectives. There should therefore be greater incentives for Member States to choose common solutions, which decisively help the Single Market in its proper functioning and avoid fragmentation.

The overall Single Market regime would therefore be well served with several forms of tighter EU governance. For instance, to uphold the EU Single Market, it should be considered whether the Commission should have stronger powers, competences or more staff to take action against Member States' measures that severely undermine the Single Market. This could lead to more active enforcement by the European Commission of existing legislation and the launch of infringement procedures against Member States which do not remove obstacles to the internal market.

Furthermore, **impact assessments of national laws should include a Single Market test** in the public consultation, so that companies and other actors can warn the national authority or the European Commission if the Single Market would be negatively affected. Such mechanisms can help avoid the unintended consequences of gold-plating.

Moreover, more harmonisation can also be achieved through **EU Regulations rather than Directives**. Whereas the stock of existing Directives still causes problems in some sectors, hindering smooth cross-border business operations, Member States have acknowledged the logic and lower costs, as well as greater implementation and enforcement benefits of EU Regulations.

They agreed by voting for Regulations much more frequently since the early 2000s[54].

ERT would prefer that, in every evaluation of existing EU Directives, the option of shifting to an EU Regulation is properly considered with the aim of avoiding potential implementation problems in the Single Market. As seen in the debate on the **'common rulebook'** on supervision during the early stage of the EU banking union a decade ago, a national attachment to one's own exceptions and idiosyncrasies should not be the lodestar for the EU approach to the Single Market. A gradual but decisive shift to common rulebooks in several of the Single Market's domains seldom entails a loss of autonomy for a Member State; however, it does help businesses from the 26 other EU countries make the most of the Single Market's opportunities with lower costs and less delay, thus contributing in the long run to economic growth for all and better choice for consumers. Of course, greater harmonisation comes with a requirement for higher-quality legislation, and requires the Commission to take the views of the co-legislators into account as legislation is crafted.

National discretion within EU rules is sometimes framed as a manifestation of subsidiarity. But it is useful to underline **the value of 'a functional application of the principle of subsidiarity': the need for greater centralisation is justified** if the absence of centralised power prevents the pursuit of agreed policy objectives at the EU level, such as the green and digital targets.

54 Pelkmans & Correia de Brito, 'Enforcement in the EU Single Market', 2012, www.ceps.eu, pp. 107-108. Here one finds the internal market acquis of May 2002 amounting to 1.497 Directives and 299 EU Regulations. By April 2011, the number of Directives had barely changed (1.525) whereas the number of EU Regulations had quadrupled to 1.347. This data is no longer in the Single Market Scoreboard.


BUSINESS GRAPH

5. Conclusion

Since ERT was created in the early 1980s, its Members called for deeper integration to propel economic recovery and advance the standard of living in Europe. ERT remains convinced that taking the Single Market to the next stage will strengthen Europe's place in the world.

The policy recommendations and the agenda for action set out above constitute a major programme of work. There are fundamental issues to address as well. If Europe is to deliver on the twin transitions and strengthen its open strategic autonomy in a turbulent geopolitical world, renewed political commitment and administrative dynamism will be needed to build the Single Market in environment, energy, digital and capital. This will require stronger incentives for the European Commission, European Parliament, and the Council to invest in deepening the Single Market.

ERT firmly believes that European companies can only succeed, and European society can only enjoy higher standards of well-being if Europe succeeds. And for Europe to succeed, we need to take the Single Market to the next level and re-invigorate EU integration.

ERT advocates a more decisive shift towards EU-based decision-making considering functional needs for the Single Market as a whole. In terms of governance, ERT asks from the EU Institutions and national governments a sense of common ownership of the Single Market's success: when legislating at the European level, by implementing this in Member States and applying diligence in enforcement. There is still considerable scope within the current Treaties for exercising more technical aspects of competence at the EU level. For instance, for the better functioning of the Single Market for business and consumers alike, new enforcement powers for the Commission would ensure the application of a harmonised framework across the EU Member States.

Should the actions to better manage, revise and deepen the Single Market not be sufficient to remove existing barriers and prevent future barriers from arising, the Conference on the Future of Europe offers the ideal occasion to also debate the institutional implications of improving the Single Market, and how competences should be exercised at European or national level.

At the current critical juncture, when a Member State has left the EU, and we are recovering from the economic consequences of the Covid-19 pandemic, it is our common responsibility to instil new dynamism in the thinking about the Future of Europe.

ERT firmly believes that European companies can only succeed, and European society can only enjoy higher standards of well-being if Europe succeeds. And for Europe to succeed, we need to take the Single Market to the next level and re-invigorate EU integration.

Charting a new course...

Three decades have passed since the creation of the Single Market in the early 1990s. In that time the four freedoms at the heart of the EU have made it a more cohesive political and economic entity, while retaining the Union's unique cultural diversity across its 27 Member States. This special mix makes the EU one of the most remarkable places in the world in which to live and work.

In the pages that follow, some 30 Members of ERT – CEOs and Chairs of leading European companies – talk about how crucial the Single Market is to the prosperity of the continent and its citizens. They also draw on the experience of the companies they lead to point out where the European Union can do still better and why it must.

Stories can explain in a way numbers and charts cannot: the practical realities of the Single Market become more apparent: how every day it helps businesses succeed and what more they could do if Single Market integration were deeper.

Each story explains a problem. Some are issues today, others are potential problems looming on the horizon. All are supported by independent data and concrete examples.

By articulating the pinch points for trade and innovation in EU Member States – ranging from packaging to digital services, from new eco-friendly fuels and renewable materials to waste management – these stories reveal how barriers old and new mean that the EU's Single Market, for all its mighty achievements, still falls short of what it could be. These shortcomings also demonstrate how fragmented rules and regulations hamper the EU's efforts to achieve its wider policy goals. If EU governments removed these barriers, they would powerfully boost the economic recovery in the coming decade, offer greater choice and better products and services for our fellow citizens and help with the cost of living.

The stories therefore also offer suggestions for ways that the Single Market can be better managed, reformed and deepened. They all consistently call on the European Commission to step up, by enforcing current rules better, harmonising more policies across the entire EU and bringing down national obstacles to cross-border business operations in the Member States. ERT's accompanying paper – Renewing the Dynamic of European Integration – takes these stories and looks at what they tell us about how the Single Market is working, how we can find solutions to these problems and how these solutions to Single Market problems would not only increase Europe's prosperity but also help the European Union deliver the twin green and digital transitions and strengthen its open strategic autonomy. The publication is a rallying call for a new encompassing EU programme that ensures more diligent governance of the single market and boosts European integration.

From energy infrastructure and delivery, to cloud computing and interoperability in health software, digital construction and more – the issues highlighted here shine a light on how the EU Single Market could exceed the performance of other trade blocs and be the cradle of the deployment of ambitious new technologies, such as 5G or hydrogen. And they provide compelling examples of how harmonised, industry-lead standards hold the key to setting the global framework.

Many of the emerging problems are also time-sensitive – they need to be addressed quickly, to ensure a smooth transition to new renewable energy sources, circular economy practices and digital processes.

Finally, one more thing stands out from these stories: the evident convergence that is taking place – as renewable energy moves to replace fossil fuel; as different industries transition to new energy sources and overlap in their reliance on the same materials; as digital infrastructure determines the speed of innovation and introduces new efficiencies across multiple sectors. These stories vividly show how society is at an inflection point of accelerating change. The Single Market is Europe's unique tool to navigate that change.

Personal corporate stories by ERT Members

30 stories on barriers in the Single Market, from ERT Members in 13 countries

1. **Nils Andersen**
AkzoNobel
2. **Guido Barilla**
Barilla Group
3. **Henrik Ehrnrooth**
KONE
4. **Jean-Paul Agon**
L'Oréal
5. **Christoph Franz**
Roche
6. **Stefan Doboczky**
Lenzing Group
7. **Zoltán Áldott**
MOL
8. **Paul Bulcke**
Nestlé
9. **Jim H. Snabe**
Siemens
10. **Ilham Kadri**
Solvay
11. **Martin Lundstedt**
AB Volvo
12. **Guillaume Faury**
Airbus
13. **Martin Brudermüller**
BASF SE
14. **Jean-Pierre Clamadieu**
Engie
15. **Ignacio S. Galán**
Iberdrola
16. **Florent Menegaux**
Michelin
17. **Ian Davis**
Rolls-Royce
18. **Martina Merz**
Thyssenkrupp
19. **Patrick Pouyanné**
TotalEnergies
20. **Timotheus Höttges**
Deutsche Telekom
21. **Börje Ekholm**
Ericsson
22. **Alessandro Profumo**
Leonardo
23. **Pekka Lundmark**
Nokia
24. **Stéphane Richard**
Orange

25 **Frans van Houten**
Royal Philips

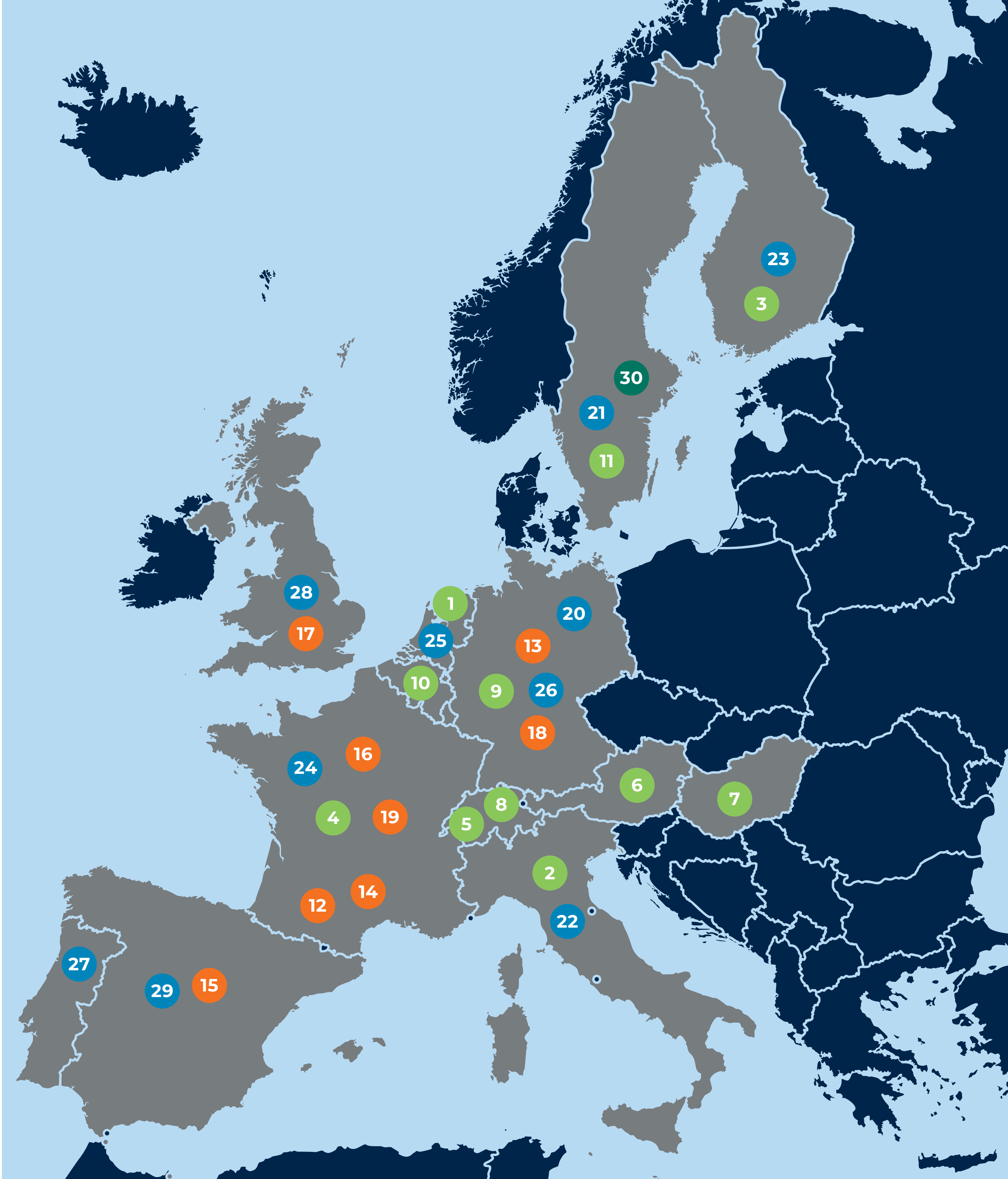
26 **Christian Klein**
SAP

27 **Paulo Azevedo**
Sonae

28 **Jean-François van Boxmeer**
Vodafone Group

29 **José María Álvarez-Pallete**
Telefonica

30 **Jacob Wallenberg**
Investor AB



ENVIRONMENT & CONSUMPTION

ENERGY

DIGITAL

FINANCE & CAPITAL

Nils Andersen
Chairman
AkzoNobel

AkzoNobel

What it takes to make a European pot of paint

Renovating the EU Single Market requires a common primer.

Have you ever thought about what goes into a pot of paint? You can find paint everywhere: on your walls, your doors, your car and your appliances. It is an essential, omnipresent product. And yet the paint production and marketing process reveals a lot about the EU's Single Market.

AkzoNobel is Europe's largest paints and coatings company, and most of the products that we sell in Europe are produced here. Thanks to the Single Market, we can operate cross-border supply chains, allowing us to produce and sell the broadest range of products.

However, we also face barriers due to the diverging standards and labels for (green) products, like paints – and a patchwork of environmental standards, recycling systems and reporting requirements between countries. Local interpretation of EU legislation is not always aligned (e.g. enforcement) and national notifying bodies may operate different processes that cannot be explained.

Addressing the indoor air quality example

Let's take an example. While there is a broad commitment to make buildings more sustainable, **there is no common European approach in the area of indoor air quality** in relation to (overtime) volatile organic compound (VOC) emissions from paints. As a result, multiple countries have gone ahead by setting their own standards, leading to a patchwork of national rules.

For paints this means different criteria per country, even between neighbouring

Relevant Ecosystems:

CONSTRUCTION

RENEWABLE ENERGY

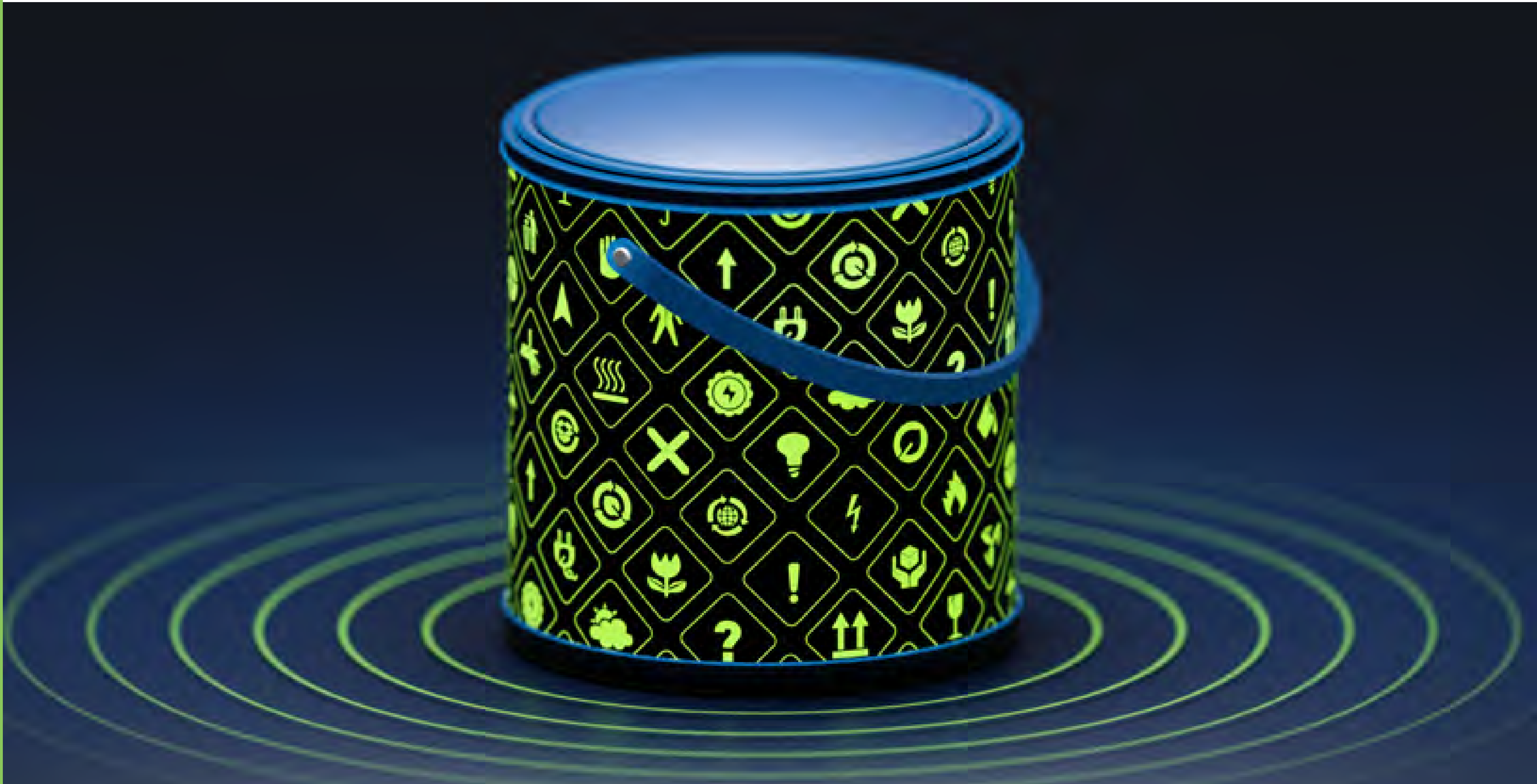
countries such as Germany, Belgium and France, to determine what products are best in class / worst in class (in terms of emission levels). It means different labels

There is no common European approach in the area of indoor air quality in relation to (overtime) volatile organic compound (VOC) emissions from paints. As a result, multiple countries have gone ahead by setting their own standards, leading to a patchwork of national rules.

with information to consumers about emissions, or no emission performance communication at all. And it means different administrative processes to get a product tested, approved and/or scored per market.

This situation exists already for several years in the European market and instead of converging there are new national policies on the horizon that, for example, set national rules **for environmental performance and consumer information** of products, adding to fragmentation.

In a true Single Market, there would be a common approach – preferably promoting sustainable products as much as possible. This would create clarity for businesses and consumers (e.g. on performance), and less complexity and costs for producers. We would prefer to invest our energy in making and selling the best and sustainable solutions at the best price, instead of managing barriers.



Where we should be heading

When painting, applying a primer first helps the finishing paint to adhere better on the surface of a material. When renovating the EU Single Market, working with a common primer can address barriers and support the functioning of our internal market.

When painting, applying a primer first helps the finishing paint to adhere better on the surface of a material. When renovating the EU Single Market, working with a common primer can address barriers and support the functioning of our internal market.

AkzoNobel has embarked on a programme of more sustainable practices to match the ambition of the EU's Green Deal. In the built environment, infrastructure and industry there are many opportunities to improve energy efficiency or otherwise reduce carbon emissions. But this transition raises the stakes. **We need scalable and innovative solutions that can be rolled out across the EU.**

That means making use of the entire toolbox. Harmonising regulation makes sense for environmental policies, so they do not become fragmented. Other instruments such as common standards (e.g. to determine the sustainability performance of a product) and mutual recognition or convergence of approaches (e.g. for testing and reporting) can also make a difference. Enforcement is another important factor.

By prioritising European solutions, we can **simplify the customer journey and create better options for consumers and businesses** towards more sustainable products. Also, it will help reduce production complexity and inefficiencies, easing the burden on companies moving towards more sustainable practices and along the way strengthen resilience in European supply chains. This is about ensuring that the EU's Single Market really works, even for a pot of paint.

Recommendation

Introduce common EU standards (e.g. to determine the sustainability performance of a product) and mutual recognition or convergence of approaches (e.g. for testing and reporting).

Guido Barilla
Chairman
Barilla

So many labels

National rules might hurt Europe's food market.

The outbreak of the coronavirus pandemic in early 2020 prompted emergency responses from governments all over the world as they moved to lock down their economies. As businesses stopped and everyday life went on pause, only essential activities could continue. One of those essential activities was food supply: we still needed to eat and drink during the lockdown.

The efforts to keep our shops stocked at such a precarious time reminded us how important foods supply chains are. From primary production to processing, and from logistics to the retail sector, the entire agri-food sector worked to ensure a modicum of normalcy when it comes to mealtimes – even when people began stockpiling and demand spiked.

This continuity was possible thanks to the European Union's Single Market. At Barilla, we export our products across Europe without worrying about border controls or national certifications. The Single Market for food products is an example of success and positive integration within the EU. The European Commission's March 2020 Communication, 'Identifying and addressing barriers to the Single Market', says most food products moving with the EU are subject to harmonised rules. And the COVID-19 pandemic proved that a well-functioning, resilient EU economy depends on a continued efficient delivery with the Single Market.

However, in recent years, the EU's agri-food companies have faced new challenges that, if not properly tackled, could develop into serious obstacles.

The first is the rise of national food labelling initiatives and requirements, on issues such as nutritional information or origin information, which has been recognised by the Commission itself[1]. Food labelling, in principle, helps both consumers and the agri-food sector, showing clearly what

1 European Commission, Business Journey on the Single Market: Practical Obstacles and Barriers, 3 October 2020, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0054&from=EN.

Relevant Ecosystems:

RETAIL

the product is, where it comes from and what its ingredients are. These inform everyone about the contents and can help people manage their diets and their overall health. The EU itself has food labelling rules to ensure that consumers receive clearer and more accurate information about what they buy and eat.

The problems occur when additional labelling schemes pile up. According to the Commission, eight Member States have launched national legislations on origin for certain food products, and there are currently five front-of-

The problems occur when additional labelling schemes pile up. Even if they are motivated by legitimate consumers demands for more information, these national initiatives both confuse and complicate operations for food companies.

pack nutritional labelling schemes developed or endorsed by MS across Europe[2]. Even if they are motivated by legitimate consumers demands for more information on food products, these national initiatives both confuse and complicate operations for food companies. They may even lead to fragmentation of the Single Market, obstructing the free circulation of products within the EU.

These national labelling schemes have several negative implications for food producers:

- They add extra costs, as businesses are forced to adapt to the different labelling requirements.
- They raise the risk that food markets and food supply chains become national rather than European or global.
- They create a climate of regulatory uncertainty that will disincentivise businesses, in particular SMEs.

From an EU perspective, there is another implication: these national measures undermine the efforts to create a resilient European food system and supply chain that can withstand shocks and crises, like the Covid-19 pandemic. The Commission has already moved to address supply chain resilience in its Farm to Fork Strategy, proposing an ambitious European contingency plan for food security. While this contingency plan would improve preparations against threats to food security, regulatory fragmentation is already limiting the adaptability and economic viability of many EU stakeholders in the sector.

The second issue concerns packaging disposal and recyclability. As with labelling, it makes sense to harmonise rules across the EU to ensure that there are universally agreed packaging labels on how to dispose and/or recycle packaging.

However, the reality is that most packaging waste collection is

2 European Commission, Business Journey on the Single Market: Practical Obstacles and Barriers, 3 October 2020, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0054&from=EN.

currently organised around available treatment capacity, which is decided regionally or nationally. This situation forces EU producers to navigate complex and diverse national/regional legislation when it comes to dealing with packaging. It also confuses consumers about what their recycling responsibilities are, thus undermining the entire sustainability efforts as the EU attempts to move towards a circular economy. For instance, it may easily happen that a package meant to be recyclable in one Member State could be considered as non-recyclable in another. This makes packaging labelling particularly complicated for food producers[3].

The reality is that most packaging waste collection is currently organised around available treatment capacity, which is decided regionally or nationally. This situation confuses consumers about what their recycling responsibilities are, thus undermining sustainability efforts.

The European Commission is right to seek to revise the Packaging and Packaging Waste Directive to ensure the free movement of packaging and packaged goods. That is why we want the Commission to use the occasion put a special focus on harmonised, clear labels indicating how to dispose of different packages. Digital tools, such as app and QR codes on packages, should also be explored and considered as solutions for providing consumer with more comprehensive information on food products.

In both these cases, the problems have occurred when national governments start taking their own initiatives. It undermines the Single Market, and we all suffer. Yet we believe in the Single Market: it not only supports Europe's world-leading food and drink sector but is a guarantee for secure, healthy and delicious foods. Let's keep the Single Market open and vibrant.

3 FoodDrink, EUROPEN et al., Joint industry call for an EU approach to packaging waste labelling, 24 June 2021, https://www.europen-packaging.eu/wp-content/uploads/2021/06/Joint-industry-call-for-an-EU-approach-to-packaging-waste-labelling-June-2021-.final_.pdf. For example, while in France the use of the "Green Dot" logo is penalised, it is mandatory in Spain.

Recommendation

Revise the Packaging and Packaging Waste Directive to focus on harmonised, clear labels indicating how to dispose of different packaging.

Henrik Ehrnrooth
President and CEO
KONE

KONE

Elevation & harmonisation

Ensuring harmonised rules for lifts in the EU and maintaining the global competitiveness of the EU lift industry.

The functionality of a lift is familiar to everyone. It is a straightforward user experience, involving clear, binary choices. However, like many other industrial goods, their manufacture is very complex, and in order to place a lift on the EU market, it must comply with the EU Lifts Directive. However, the Lifts Directive only provides safety objectives, but does not detail how to achieve those objectives.

How then should a competitive manufacturer design its lifts?

This is where harmonised standards, i.e. standards approved and endorsed by the European Commission could play a vital role. For example, the harmonised European standard EN 81-20 provides state-of-the-art technical specifications for lifts. The standard was developed by the European Committee for Standardisation (CEN) with participation from the lift industry. The European Commission has accepted that lifts meeting the requirements of the standard comply with the EU Lifts Directive.

This regulatory model has been a success both within the EU Single Market and globally. Within the EU, lifts meeting the requirements of the lift standard are exceedingly safe and can generally be sold throughout the bloc.

Because of its scope and state-of-the-art specifications, the lift standard has also been widely adopted outside the EU. In fact, today approximately 90% of new lifts globally are manufactured according to EN 81-20 requirements. This is a shining example of how Europe can take a driving seat in setting global standards.

Relevant Ecosystems:

CONSTRUCTION

Challenges on the horizon

However, in recent years, the Commission has taken a more restrictive approach to the acceptance of European standards as harmonised.

Following an unnecessarily limited interpretation of a 2016 judgement of the

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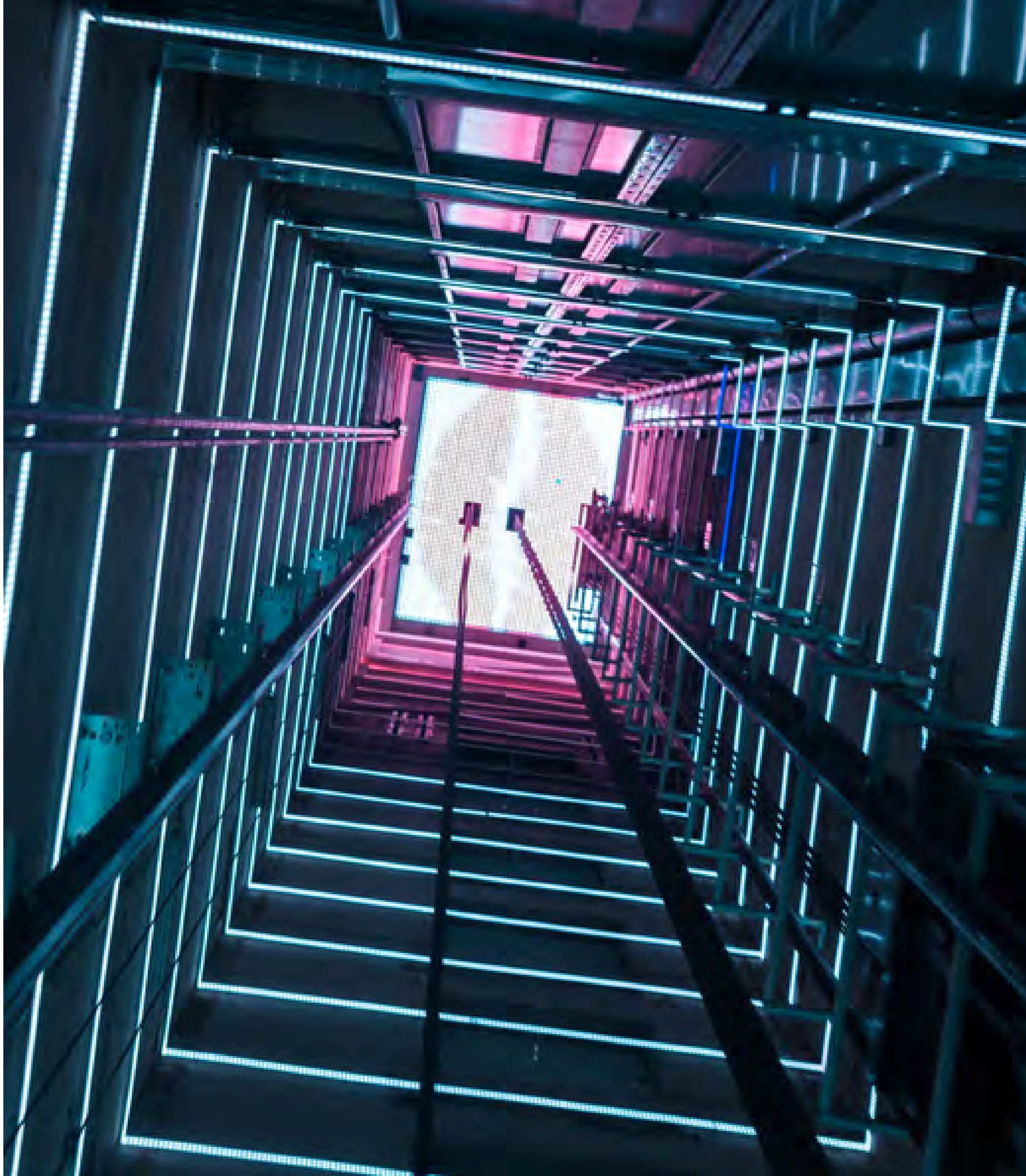


European Court of Justice on the legal nature of standards, the Commission has required that any future standards, including adaptations of the lift standard, should be restricted to the bare minimum needed to comply with the relevant EU legislation. This has several unintended negative consequences for the unity in the single market as it opens the door to EU Member States adding additional requirements at national level.

The current version of the lift standard provides state-of-the-art technical specifications and information essential not only for the design of lifts, but also for their safe operation. For example, the lift standard describes minimum requirements for building and lift interfaces, such as strength of the lift shaft walls, fire safety requirements, dimension of working areas and ventilation of machinery spaces. Although such requirements are not relevant for compliance with the Lifts Directive, they play an important role in harmonising lifts and creating a unified EU market for lifts.

Due to the restrictive approach of the Commission, the lift standard under revision is being stripped of such more detailed requirements. This is creating gaps in the safety requirements. National rules will inevitably be deployed to fill those gaps. Considering the diverse building regulations in EU Member States, it is very likely that each country will introduce different requirements. This would result in fragmentation of the technical criteria for lifts with severe implications for the Single Market in lifts within the EU. For example, Denmark requires a high level of illumination for spaces where the lift equipment is installed, the Czech Republic requires a specific type of wiring for lift

controller installed in evacuation routs, and France requires specific fire rating for lift car decorations. These requirements are specific to these countries, and are not required in any other EU Member State.

The current version of the lift standard provides state-of-the-art technical specifications. For example, the lift standard describes minimum requirements for building and lift interfaces, such as strength of the lift shaft walls, fire safety requirements, dimension of working areas and ventilation of machinery spaces.

The application of such diverging requirements on lift components could result in lift companies having to produce several different versions of the same lift model in order to be able to sell them throughout the EU.

If the European lift standard EN 81-20 is stripped of its more detailed requirements, this will also considerably undermine its global role. When the future versions of the standard no longer represent the state-of-the-art that is applicable in the entire EU single market, countries outside the EU will not adopt them, dealing a blow to both the safety of lifts everywhere and to the international competitiveness of the EU lift industry.

Time to reassess

The European Commission's current approach of treating harmonised standards as part of EU law and thus limiting their content to only fulfilling the regulatory requirements, poses serious risks to the technical harmonisation of lifts and the unified EU market for lifts.

For many years, European standardisation processes, have been a highly successful model under the EU New Legislative Framework (NLF), thanks in part to the participation of all relevant stakeholders, including the Commission. However, the current approach is taking things in the opposite direction. To avert further fragmentation, the Commission should stop treating harmonised standards as part of EU law and revert to the European standardisation process that has been successful in ensuring a unified EU market for lifts and the global competitiveness of the EU lifts industry.

Recommendation

Stop treating harmonised standards as part of EU law and revert to the European standardisation process that includes the participation of all relevant public and private stakeholders.

Jean-Paul Agon
Chairman
L'Oréal

L'ORÉAL

Don't let the foundation crack

How a well-cared for Single Market can prevent cracks appearing.

Europe has a long and distinguished tradition of pioneering beauty and personal care products, from haircare to skincare to fragrance and make-up. When it comes to cosmetics, Europe can rightfully claim global leadership in terms of the quality of the products, manufacturing excellence and positive market image.

The European cosmetics industry has partnered with the EU institutions to export a model of Single Market regulation that enhances consumer health and safety without making concessions on product performance and innovation. The cooperation between industry and regulators was the foundation for so much of the success that followed. It contributed to greater business certainty, spurring the sector's growth within the EU and worldwide. As a result, consumers can trust that European cosmetic products are the most tested and safest in the world.

Today, however, cracks are appearing and the framework that helped build the European cosmetics sector is now at risk of fragmenting. This could damage the Single Market and jeopardise the competitiveness of the European cosmetics industry.

Concerns about divergent packaging labelling requirements

One of the thornier issues at hand is national legislative initiatives on product packaging labelling. Many EU Member States have started setting their own labelling requirements, hampering efforts by companies to design a single packaging format across the EU on small packaging products.

The simple example of the recycling symbol illustrates this problem. Some countries require household products to bear the Green Dot symbol on packaging, which signifies that the company takes part in an extended producer responsibility (EPR)

Relevant Ecosystems:

RETAIL

scheme for the recovery, sorting and recycling of product packaging waste.

However, other EU countries do not recognise the Green Dot and instead require other symbols or instructions such as the Triman logo or the Tidyman pictogram. These different

Many EU Member States have started setting their own labelling requirements, hampering efforts by companies to design a single packaging format across the EU on small packaging products. The simple example of the recycling symbol illustrates this problem.

symbols with similar meanings often confuse and mislead consumers.

The many fragmented national measures multiply the number of packaging labelling formats required for the same product to meet the national requirements. They also represent a financial burden for companies of household goods that would otherwise develop harmonised packaging for up to 27 European markets. This issue is especially challenging for the cosmetics sector as many of our products are small, making it more difficult to insert additional sorting instructions in different languages on the packaging.

Many business organisations in Europe have called on the European Commission to take action to ensure a common approach for packaging waste-sorting labelling. In June 2021, over 62 other European and national organisations wrote an open letter to the European Commission in response to diverging national packaging labelling and information requirements[1].

While these complications may seem minor to some, they hinder the free and cost-effective movement of goods in Europe. At a time when considerable effort is being poured into building a circular economy in Europe, consumers and businesses need the European Commission to set common terms and symbols for the collection, sorting and recycling of products across the EU Single Market.

Essential products & the COVID-19 pandemic

Another area of potential divergence relates to product safety regulation. Cosmetics products are regulated at the EU level to ensure consumer safety and to secure an internal market. The safety evaluation of ingredients applies to all EU Member States. The European regulatory framework sets clear rules to foster business certainty, reduces costs for compliance and opens up market prospects. But local authorities are increasingly implementing their own additional criteria without prior consultation of other Member States. This has resulted in a fragmentation of the Single Market.

These divergences became clear during the COVID-19 pandemic. Early in the crisis, the cosmetics industry responded

1 FoodDrink, EUROPEN et al., Joint industry call for an EU approach to packaging waste labelling, 24 June 2021, https://www.europen-packaging.eu/wp-content/uploads/2021/06/Joint-industry-call-for-an-EU-approach-to-packaging-waste-labelling-June-2021-.final_.pdf. The letter lists in the annex some European countries (for example France, Italy, Portugal and Slovenia) with divergent national labelling initiatives.

by converting some of their production lines to manufacturing hydroalcoholic gels, which were seen as essential to protect against the spread of the virus.

However, some countries refused to qualify these products as essential. They said the gels were biocidal products that had to pass through long authorisation processes before they could be put on the market (or, in L'Oréal's case, be donated to hospitals and care homes). Cosmetic companies had to negotiate on a country-by-country basis to distribute these products at a moment when time was of the essence. The companies also faced differing rules with regards to gel labelling and product information requirements.

At a time when considerable effort is being poured into building a circular economy in Europe, consumers and businesses need the European Commission to set common terms and symbols for the collection, sorting and recycling of products across the EU market.

A more harmonised approach could have led to faster delivery of essential gels and a speedier go-to-market of new products. As we continue to try to overcome the coronavirus, we need clearer European oversight and guidance for an assuredly coordinated EU response.

These incidents should show that the Single Market is incomplete. The business community sees it as one of the EU's biggest strengths. Thanks to it, European consumers enjoy a greater variety and affordability of products, with high product safety and environmental standards. Moreover, the Single Market has helped the EU rise to become a credible economic player and geopolitical actor, setting global norms and standards. a vital component in the region's competitiveness on the global scene. Investing effort in harmonising packaging and safety regulation may not seem glamorous, but it would further the Single Market, and support the EU's interest in competitiveness. Such "self-care" by the EU can certainly help it get better with age.

We must do whatever we can to strengthen it to promote more competitiveness while providing more incentives to invest in Europe. Both the European Commission and the EU Member States should together prioritise a new programme to unify the Single Market.

Recommendation

Ensure a common approach to packaging waste-sorting labelling & regulation.

Christoph Franz
Chairman of the Board
Roche

What's in a pill?

Why the EU needs a single approach to assessing innovative medicines.

Scientific journals are crucial for reporting new research and assessing scientific breakthroughs. But imagine for a moment what would happen if a journal, like *Nature*, published national editions reporting different findings and conclusions for the same research. How would that be received?

The result would be an outcry in the academic community over scientific evidence effectively adapted to national preferences. Yet this absurd scenario is common practice when it comes to assessing the benefits of innovative medicines. More pertinently, it is happening with the so-called Health Technology Assessments (HTA) in EU Member States.

HTAs are supposed to systematically evaluate the relative effectiveness, cost-effectiveness and likely budgetary impact of health technologies. They cover medicines, medical devices, diagnostic tools and surgical procedures, as well as measures for disease prevention, diagnosis and treatment. But the way HTAs are conducted in EU Member States is sometimes questionable, in particular when it comes to innovative medicines.

Let's use another analogy, this time to explain the role and importance of HTAs. Say you want to buy a new car. We can take as given that the cars on the market have all gone through rigorous checks to ensure they are safe to drive. But as a buyer, you will want additional information about things like fuel consumption, speed and how it compares to other cars in a variety of areas. Ideally, you wouldn't have to do the work yourself, but rely on a neutral information provider (Step 1). However, taking a final informed purchase decision represents a different step. It requires a subjective evaluation and conclusion about the ability of the car to satisfy the buyer's specific needs and preferences e.g. how it can fit and transport the family, and whether it is within the person's budget in light of other priorities (Step 2).

For innovative medicines, HTA is focused on summarising information about the clinical benefits in a systematic, transparent,

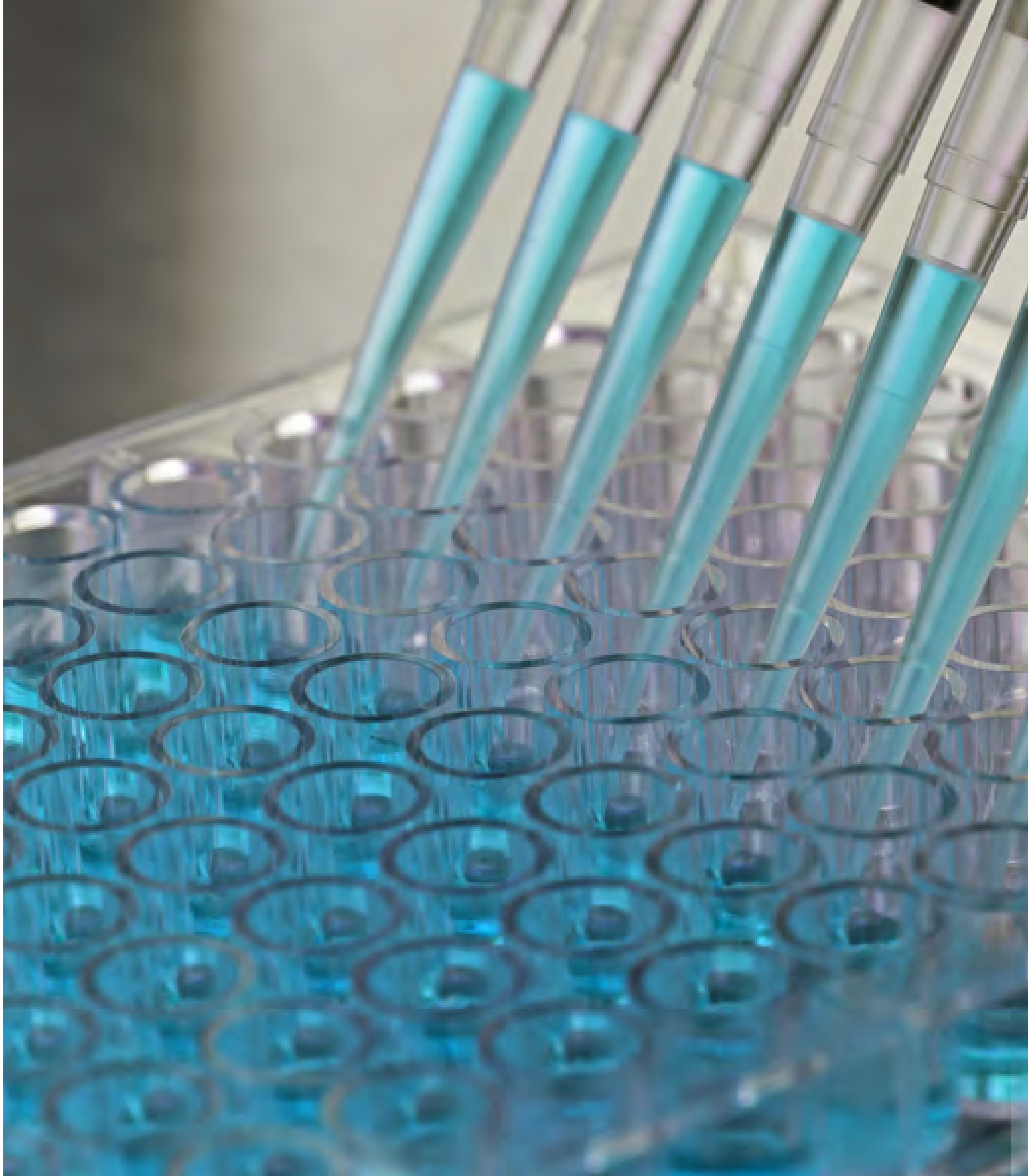
Relevant Ecosystems:

HEALTH

unbiased and robust manner. This scientific-clinical assessment can be likened to Step 1 in the car-purchasing process above. Based on that, healthcare systems and payers then take a value decision that resembles Step 2 of buying a car: *is it worth paying for?* In other words, should patients have access to the new medicine? This second part — assessing value and taking the decision— depends heavily on the specific context of a healthcare system. As these can vary widely from one country to the next, there are good reasons to leave final purchasing decisions to the individual Member States.

But the fact that scientific clinical benefit assessments of the same

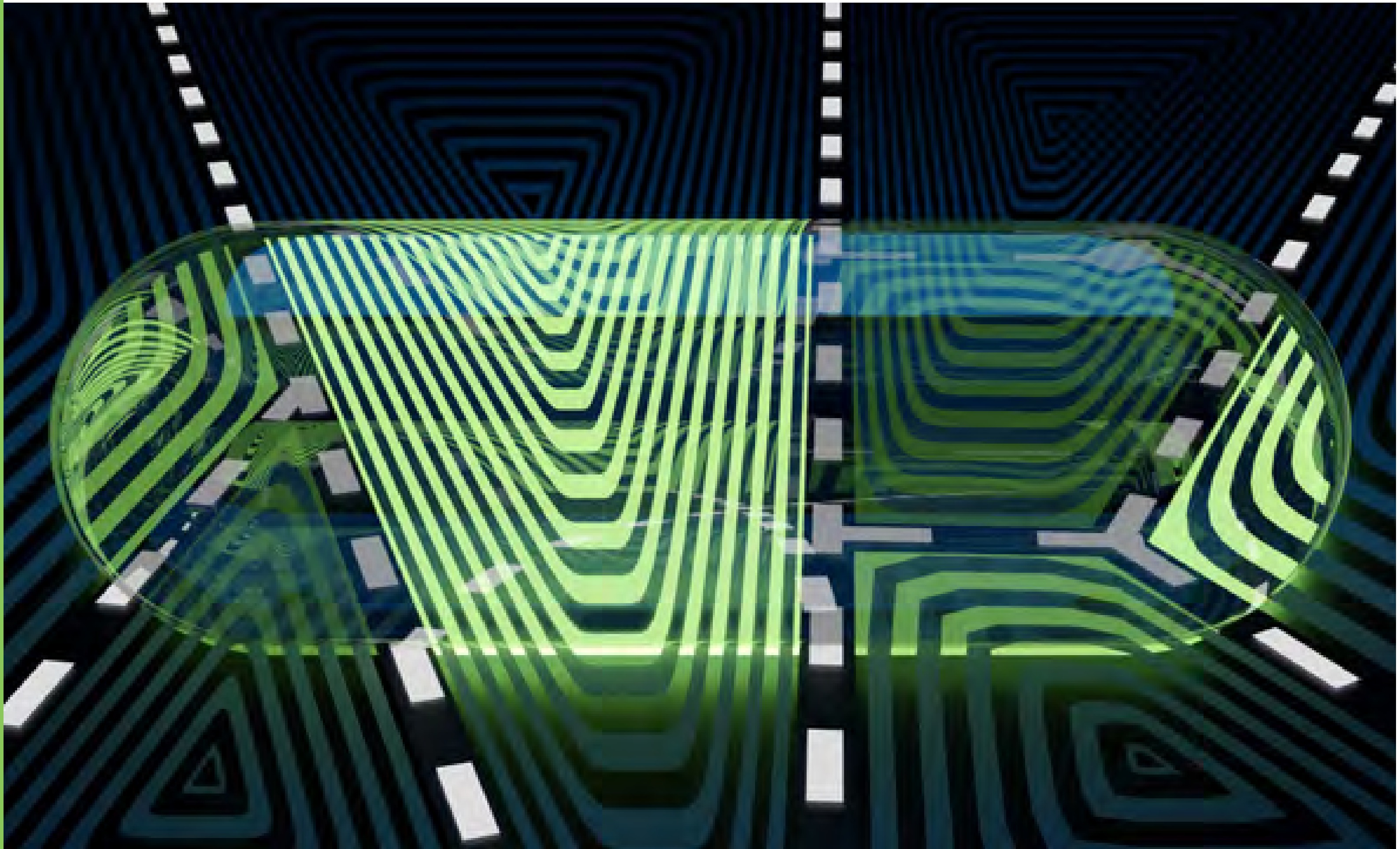
National HTA bodies conduct assessments of the same clinical evidence for a medicine in parallel to each other but reach different conclusions.



medicine conducted in parallel and based on the same evidence come to different conclusions across the EU-27 jeopardises the functioning of the Single Market. There should be a consensus on what constitutes good science in comparative clinical assessments of a health technology. Ideally, resources would be pooled across EU Member States so that medicines can be jointly assessed for their relative effectiveness on the basis of clinical evidence.

But this is not the case today. National HTA bodies conduct assessments of the same clinical evidence for a medicine in parallel to each other but reach different conclusions. For example, for oncology medicines the situation has been extensively researched and reported. The extent to which clinical evidence from oncology trials is considered robust or acceptable varies greatly between HTA bodies of different Member States[1]. To illustrate, every national agency looks at the use of surrogate endpoints – a clinical trial endpoint used as a substitute for a direct measure of how a patient feels, functions, or survives – in a different way. These are accepted in Poland and often accepted in Sweden; not accepted in the Netherlands and often not accepted in Portugal. England and Italy determine acceptance on a case-by-case basis[2].

This is not just about diverse valuation criteria: some HTA bodies do not even apply the same basic assessment principles consistently to different medicines. Furthermore, many countries, notably some of the smaller EU Member States, lack the capacities and capabilities – staff, expertise and resources – to conduct high-quality HTAs. It is therefore unsurprising that these parallel assessments differ in their conclusions on the clinical benefit of new medicines. For patients, doctors and healthcare authorities, this bouquet of contradictory conclusions



1 Vintura, Every Day Counts: Improving Time To Patient Access To Innovative Oncology Therapies In Europe, July 2020, https://www.vintura.com/wp-content/uploads/2020/08/White-paper-every-day-counts-improving-time-to-patient-access-to-innovative-oncology-therapies-in-europe_from-EFPIA_and_Vintura.pdf.

2 Idem, p. 39.

about the clinical outcomes of the very same medicine is confusing.

The costs of duplication

For taxpayers, the duplication of national processes is a waste of scarce resources. It can also contribute to substantial delays in pricing and reimbursement negotiations in Member States, which in turn delays accessibility of treatments that might bring highly relevant benefits to patients. Manufacturers seeking to introduce the same medicine in various EU countries lose time and money trying to satisfy an array of divergent and inconsistent requests for additional evidence (usually at a time when new clinical evidence can no longer be reaped from trials that ran their course). The result is, of course, higher costs. In the long run, this will hurt the EU's competitiveness and dent its attractiveness for pharmaceutical innovation.

For taxpayers, the duplication of national processes is a waste of scarce resources. Manufacturers seeking to introduce the same medicine in various EU countries lose time and money trying to satisfy an array of divergent and inconsistent requests for additional evidence.

The European Commission has recognised this problem. In 2018, it proposed a EU HTA Regulation that would scrap parallel assessments by means of an obligation for Member States to use jointly established EU HTA reports. However, after more than three years of negotiations, the legislative compromise that has been established between the EU institutions substantially dilutes this obligation for Member States and comes with a range of unanswered questions. The coming years will show whether Member States are willing to let science lead the way.

As the health sector evolves and expands in the years to come, the EU will need to step up its collaborative efforts and remove market access barriers to innovative medicines, technologies and processes. European patients are put at risk when their access to medicines for unmet medical needs is delayed by unnecessary duplication of administrative procedures. Good science should know no borders.

Recommendation

Step up efforts to remove administrative market access barriers to innovative medicines, technologies and processes.

Stefan Doboczky
CEO
Lenzing Group

Lenzing
Innovative by nature

Disposable hero

Why biodegradability is an essential tool for the EU in its fight against single-use plastics.

Do you know what non-wovens are? If you don't, that's OK – few people do. Nonetheless, they are an essential part of our everyday lives. They can be found in the clothes we wear, the cushioning of our car seats, the insulation in our homes, and many other essential items. Wet wipes are also non-wovens, and they have become indispensable in most European households. Wet wipe production in Europe alone has grown by 22% to 425.000 tons or 9.7 billion square meters, an area the same size as 1,358,543 standard football pitches.

Most of the wipes made in Europe consist of synthetic fibres made from crude oil. If not disposed of properly, they can remain in the soil, water and air for decades as micro-plastics inevitably enter the animal and human food chain.

But there are alternatives. A small, albeit growing, proportion of wipes comes from renewable cellulosic materials, like wood. These wipes already start disintegrating when they are flushed down the toilet. They are designed to biodegrade in different environments within just a few weeks after use, without leaving any harmful residues in nature.

Because plastic is such a persistent material, there are long-term ecological, economic and eco-toxicological effects of plastic pollution. The European Union has moved to tackle the problem of plastic waste with various policies, regulations and other measures, including the Single Use Plastics Directive (SUPD), which came into force in July 2021.

An absent friend

However, biodegradability was omitted from the directive. Before the SUPD was agreed, there were extensive debates on what should be considered plastic, but the final definition that the EU settled on left out any consideration of the biodegradability and compostability of a product. The stated reason for the omission was a lack of a harmonised EU biodegradability standard.

This omission will weaken the EU's environmental efforts and its absence

Relevant Ecosystems:

TEXTILES

CIRCULAR ECONOMY

RETAIL

fundamentally undermines its Single Market in the context of its nascent circular economy and bioeconomy.

Biodegradability should be seen as a vital asset when it comes to stemming pollution. The lack of a uniform biodegradability standard and its subsequent exclusion from the SUPD has major consequences: it damages the environmental and economic policy objectives, frustrates previous industry efforts, and hinders innovation.

The European Union has moved to tackle the problem of plastic waste with various policies, regulations and other measures, including the Single Use Plastics Directive (SUPD), however, biodegradability was omitted from the directive.

The impact of the decision to overlook biodegradability will also be felt across the economy. Innovative companies producing bio-based and biodegradable alternatives to household products, including hygiene and sanitary applications, might no longer have an incentive or competitive advantage over companies using oil-based fibres. And from a consumer perspective, there will be little to distinguish between an oil-based plastic product and a degradable product that must nevertheless be labelled as plastic: they might appear equally harmful to the environment.

There are other risks. If the SUPD is implemented unevenly within Europe, it will create uncertainty for businesses, who will then choose the markets where their biodegradable products will still be competitive and economically viable. And there are deeper, political challenges: the EU will eventually have to address how these restrictions on the bioeconomy undermine their circular economy ambitions.

A review of the SUPD is scheduled for 2027, and it should reflect scientific and technical progress concerning biodegradability criteria. The Commission has already said it plans to develop a policy framework on the use of biodegradable or compostable plastics in 2022.

At Lenzing Group, we have pioneered sustainable textiles and nonwovens for decades. We will continue to advocate for harmonised EU-wide rules on biodegradability as vital if the EU is to meet the ambitious environmental targets that it has committed to.

From a consumer perspective, there will be little to distinguish between an oil-based plastic product and a degradable product. There are deeper, political challenges: the EU will eventually have to address how these restrictions on the bioeconomy undermine their circular economy ambitions.

To accomplish policy objectives, evidence-based regulation is needed that also sets positive and negative incentives for a feasible transition. One that is practical and addresses the many different dimensions relating to the issue such as the SUPD, the upcoming Waste Directive, state-of-art technology and consumer behavior. The overarching objective is to reduce the actual environmental net impact: a gradual reduction of synthetic fiber content in wovens and in non-wovens, in line with an increase in separability, recyclability, and post-consumer household collection rates of mixed fabrics.

All of this could be regulated and implemented undogmatically and within what is technically possible and what can practically be expected from consumers. In this, single use non-wovens ought to remain permitted where a product is essential for society and functionally non-interchangeable, as in the case of hygiene wipes in the health sector.

This also applies where a single-use product is deemed non-essential or is functionally interchangeable if the available multi-use alternative is more harmful to the environment – as is the case with fully degradable or compostable household wipes which are vastly superior on balance to, e.g., multi-use cotton wipes that would need to be laundered with chlorine bleach or at 90 degrees after each use to ensure user hygiene and consumer health.

Only even application of identical standards across Europe will create economies of scale and consumer buy-in needed. It is up to the European Commission to take the lead and enforce a coherent application of EU legislation across all EU Member States.

Recommendation

Harmonise EU-wide biodegradability rules and enforce a coherent application of EU legislation across Member States.

Zoltán Áldott
Chairman of the Supervisory Board
MOL

MOLGROUP

Charging ahead

Why we need to remove barriers to EV charging.

Transport accounts for around a quarter of Europe's greenhouse gas emissions, with road transport representing about three-quarters of that number. As the European Union moves to decarbonise, this should be the moment for electric vehicles (EVs). E-mobility is one of the most promising technological solutions for zero-emission road transportation. Every major carmaker has committed to roll out EVs, and the number of models available in Europe is expected to reach 330 by 2025.

Yet there are still obstacles hampering EVs, including the high prices of electric cars and the supply chain issues associated with batteries and semiconductors. One of the biggest barriers to an electric revolution is the charging infrastructure.

Based on EU estimates, if there is to be an EV revolution on European roads, then an estimated three million public charging points will be need to be installed by 2030[1]. But with just 185,000 public charging points currently available in the EU, that is a fifteen-fold increase.

Charging points matter for buyers, especially those who are buying EVs for the first time. This is not just a new technology under the bonnet, but a whole new system that needs different supporting services. Research shows that the number one reason why consumers decide not to buy an EV is the lack of charging stations.

MOL and its partners in the NEXT-E consortium have already installed 252 EV charging stations along main highways in the Czech Republic, Slovakia, Hungary, Slovenia, Croatia and Romania. We plan to build many once market demand will rise in our countries.

But these EV infrastructure projects face challenges. For instance, it takes an average of six to eight months for construction permits to be issued before the physical installation of EV charging stations can begin.

1 Transport & Environment, EU needs 15 times more public chargers by 2030 to help become climate neutral – analysis, 8 January 2020, https://www.transportenvironment.org/discover/eu-needs-15-times-more-public-chargers-2030-help-become-climate-neutral-analysis/.

Relevant Ecosystems:

ENERGY-INTENSIVE INDUSTRIES

MOBILITY – TRANSPORT – AUTOMOTIVE

The main obstacles to building charging stations are national regulations. In Romania, for example, the procedure can take up to one-and-a-half years because it has to be licensed by individual municipalities. In Slovakia, there is an effective barrier to the deployment of EV chargers on motorways as the Slovak motorway monitoring company reserves the right to launch applications for e-mobility services (charging installations) for already leased areas (filling stations).

These different national requirements all represent obstacles to the EU's planned Single Market for EVs. The EU

Charging points matter for buyers, especially first-time buyers. Research shows that the number one reason why consumers decide not to buy an EV is the lack of charging stations.


PERMIT FOR
E-MOBILITY STATION
PERMIT FOR
E-MOBILITY STATION

needs to intervene to clear the way for new charging infrastructure.

For example, the level of distribution power capacity tariffs (kW) to be paid is set at such a high level that it significantly impairs the rates of return and is a barrier for a new business. Peak performance should be paid by e-mobility providers on the basis of static tariffs to DSOs. The introduction of uniform dynamic power capacity tariffs for e-mobility across EU Member States would ease this problem.

Different national requirements all represent obstacles to the EU's planned Single Market for EVs. The EU needs to intervene to clear the way for new charging infrastructure.

Second, EU regulations treat e-charging as a product under VAT law but as a service under accounting rules. To be able to develop a roaming service, it has been necessary to integrate several systems at significant additional cost to the developer. A unified service interpretation and category would facilitate the launching of these types of services and ease billing services in the digital age.

The Energy Union is an essential new dimension of the Single Market and integral to the success of the Green Deal, delivering the targets of the *Fit for 55* package for transport infrastructure and the decarbonisation of the transport sector. To ensure intensified decarbonisation and delivery of proposed targets there is a need for improved administrative procedures and smarter taxation to support the investments required to drive the green transition and reach climate neutrality by 2050.

For EVs to gain widespread acceptance, manufacturers, charging companies, industry groups and governments at all levels must work together to make public charging available in as many locations as possible. The European Commission should spearhead the coordination in order to ensure a coherent framework for faster roll-out of infrastructure across the EU Member States. EVs hold the transformative promise to profoundly alter the carbon footprint of mobility. But this will only happen if we have the right charging infrastructure in place, across national borders.

Recommendation

Introduce uniform dynamic power capacity tariffs for e-mobility across EU Member States and a unified roaming service interpretation and category to improve e-charging.

Paul Bulcke
Chairman
Nestlé

This way up

The Single Market empowers free movement of products, but more can be done to align packaging & labelling.

Thanks to the European Union's Single Market, people have a diverse choice of high-quality foods and drinks. For food and drink companies, the Single Market drives healthy competition and stimulates more sustainable production and consumption, while enabling greater resilience and efficiency.

For Nestlé, it means our products can enjoy free movement within the EU, effectively providing European companies with a 'home' market of almost 450 million consumers. Indeed, we would argue that the Single Market remains one of the EU's greatest achievements, with around 82% of traded products now being subject to harmonised rules and about 18% to mutual recognition.

However, there remain areas where the Single Market is incomplete. There continue to be new instances of rules and regulations at the national level, many of which affect the intra-EU movement of food and beverage products.

A topical example that affects Nestlé relates to food packaging and labelling. For the food and beverage industry and for consumers, packaging plays an important role. It delivers critical functionalities in terms of safety as well as quality and provides key information to consumers.

The counter-productive effect of multiple recycling labels

Food and beverage companies often design and produce the same packaging for different EU Member States. From chocolate bars to bags of coffee to cereal packets, the wrapping can be identical across different markets. However, when EU legislation is not harmonised, this leads to a void that may be filled by Member States with their own individual measures. For producers, different packaging requirements for each national market means making new print cylinders, doubling (or tripling) the

Relevant Ecosystems:

RETAIL

number of data points and packaging raw material stocks, and multiplying the changeover complexity in operations. The effects of this can also add to the environmental footprint of these products.

We have seen challenges when it comes to new waste laws, including the Single-Use Plastics Directive (SUPD). At the national level, Member States are working on the transposition of these rules, but

The Single Market remains one of the EU's greatest achievements, with around 82% of traded products now being subject to harmonised rules and about 18% to mutual recognition. However, there remain areas where Single Market is incomplete.


100% COMPOSTABLE
EU Ecolabel

this is happening at different speeds and in an uneven manner. This has led to over 50 European trade associations, such as FoodDrinkEurope and EUROPEN raising concerns that the current situation risks eroding the Single Market and undermining the nascent circular economy[1].

The European Commission has recognised the challenge and recently launched a study by the Joint Research Centre to assess whether symbols and markings on packaging can be harmonised. We hope that the study will confirm such an approach.

Nestlé fully recognises the challenges around packaging and is working to find solutions to address these and help achieve a waste-free future. In this journey, and in the spirit of the European Green Deal, it is crucial to be able to rely on a coherent and harmonised EU-wide approach to the circular economy, waste, packaging and labelling regulations. When Member States implement EU circular economy laws, we would urge that they should strengthen EU Single Market principles.

The European Commission has recognised the challenge and recently launched a study by the Joint Research Centre to assess whether symbols and markings on packaging can be harmonised. We hope that the study will confirm such an approach. In the end, only (national) initiatives developed within, not outside, the EU framework strengthen a true and well-functioning circular economy.

At Nestlé, we want to lead the shift towards sustainable food systems and packaging & labelling are part of that ambition. Enabling conditions and policymaking for investments and innovation that are fully in line with the Single Market and the Green Deal will help.

1 FoodDrinkEurope, EUROPEN et al., Joint industry call for an EU approach to packaging waste labelling, 24 June 2021, https://www.fooddrinkeurope.eu/wp-content/uploads/2021/06/210625-Joint-industry-call-for-an-EU-approach-to-packaging-waste-labelling.pdf. This includes examples of diverging national labelling initiatives across EU Member States such as France, Italy, Portugal or Slovenia.

Recommendation

Monitor EU Member State practices related to food packaging and labelling more closely and enforce the implementation of EU circular economy legislation more strictly.

Jim H. Snabe
Chairman
Siemens AG

SIEMENS

Build back better

How a Single Market for building information modelling could optimise energy efficiency & smarter operations.

With its Green Deal, the EU aims to become the world's first climate-neutral continent by 2050. Urban areas and especially buildings play an important role in achieving this aim. Buildings account for 40% of all final energy consumption and produce about 35% of all greenhouse gas emissions. On top of that, the energy efficiency of buildings is vital to the transformation of the EU's energy sector as buildings begin producing energy, not only consuming it. Increasing integration of power from multiple renewable sources poses challenges to power grids. Beyond the construction of new smart infrastructures and the retrofitting of existing buildings to make them "smarter" and more energy efficient, the next step is to connect these smart buildings to the smart grid for greater sustainability.

Getting smart

Sounds promising, right? Well, the European Commission has flagged the lack of digitalisation in the construction industry as one of the main causes of its poor progress in energy efficiency & smart technology solutions. They contend that using Building Information Modelling (BIM) and digital twins – technologies that simulate complex ecosystems to help architects and urban planners to anticipate any eventualities when designing buildings or streets, and to allow building operators to better manage the building's assets – is essential to tackle challenges faced by the construction industry, such as manpower shortages, resource and energy efficiency, and productivity. Such simulations of real-life environments provide real-time understanding of how that building, or ecosystem is performing – enabling immediate adjustment to optimise efficiency and to provide data to improve the design of future buildings, making them more sustainable. This has prompted numerous initiatives and policies to promote the digitalisation of the sector, including Renovation Wave (2020) and Energy

Relevant Ecosystems:

DIGITAL

CONSTRUCTION

Performance of Buildings Directive (EPBD), Circular Economy Action Plan (2020), Digital Europe Programme, and Horizon Europe.

Even though BIM is the most widely used digital technology in the construction sector, its market adoption is still quite low. A significant factor for this is the proprietary nature of most of these software applications, making data exchange between systems difficult and preventing wide-scale adoption.

Even though BIM is the most widely used, its market adoption is still quite low. A significant factor for this is the proprietary nature of most of these software applications.

BIM in Europe

In Europe, various digital twins have been created, such as the Amsterdam City Dashboard, the Helsinki Energy and Climate Atlas, the Rotterdam Digital Twin, and the Flanders DUET Digital Twin. And in Berlin, Siemens is using digital twins to transform the historical Siemensstadt district in Berlin into the smart and sustainable Siemensstadt 2.0.

As this list of projects attests, interest in using this modelling technology is rising – even more in the context of a growing wave of digitally progressive, smart cities. However, as often occurs with emerging technology, there are currently no joint technical standards across the European Union for digital twins and BIM software. This absence is causing projects like these to be developed based on different proprietary software – ultimately risking issues with interoperability and making it less attractive for SMEs to invest in BIM.

Such problems are a missed opportunity, as architects, builders, planners and building operators cannot easily share ideas and learn from one another. Currently, only Austria, Italy and the Netherlands are mandating Open BIM standards.

Regulation to bring these together

If the building sector is to provide energy savings needed to reach the green deal's goals, it is essential that building data should be accessible during all phases of the building's lifecycle. During the design and build phases it would allow for optimised design, selection of smart materials, efficient coordination of disciplines, ensuring faster build times at lower costs while reducing its ecological footprint. Data from these phases, such as the building's 'as built' drawings, the building assets together with their maintenance requirements and operating manuals, need to be available for operations and maintenance phases of a building. This would enhance the users' comfort, convenience and safety and improve operators' efficiency (operational, maintenance).

To ensure a Single Market approach that addresses this issue, a common digital framework would need to be adopted, preferably the ISO 19650 standard. However, we believe that this should consider the entire lifecycle of a building, including the supply chain, the building operation and eventually the dismantling of the building. As part of that, the EU wide mandatory use of a BIM-based digital twin would be an obvious approach to meet some of the EU Green Deal goals for buildings, such as energy efficiency and the circular economy.

If the building sector is to provide energy savings needed to reach the green deal's goals, it is essential that building data should be accessible during all phases of the building's lifecycle.

Beyond the creation of a digital framework, something else will be required: political action. To achieve data-driven efficiencies and capitalise on the EU's growing expertise in this area, a BIM mandate for all public EU tenders for both new buildings and renovations would actively promote a better way to build and operate. Putting such conditions in place would involve:

- applying the principle of most economically advantageous tenders (MEAT) to buildings;
- making simulation testing and data sharing mandatory in construction and renovation handover processes: design, commissioning, operation, and dismantling;
- drafting new European building standards that include BIM.

The European Commission is already planning to pilot and rollout digital twins as part of the Digital Europe Programme and wants to tie it to the New European Bauhaus concept. This is the window of opportunity to finally integrate BIM and digital twins into the process, at a moment when the technology is ripe for widespread rollout.

We are convinced that addressing these important issues together with other elements like EU-wide standards for reuse of materials in buildings or enhancing the overall energy efficiency of buildings, would strengthen the EU's competitiveness and productivity; but more importantly it would stimulate a stronger, more sustainable building market and help create sustainable urban areas.

Recommendation

Develop new European building standards that include BIM and forge regulation that promotes interoperability and data-driven efficiencies.

FREE MOVEMENT OF

People Goods **Services** Capital

Ilham Kadri
CEO and President of the Executive Committee
Solvay

Second life

A harmonised European waste transportation regulatory system could help complete the circular economy.

When you are preparing your weekly trash collection, sorting different waste in the various recycling categories – have you considered what happens in the next stage of the process, after it has been collected?

According to Eurostat, 5.2 tonnes of waste are generated per EU inhabitant each year. 38.5% of that waste goes to landfill and 37.9% gets recycled[1]. Numbers that can certainly be improved, if the EU can advance the concept of the circular economy within the bloc. The basic concept of a circular economy is simple: waste from one source can become a valuable input for another use. The circular economy action plan is a cornerstone of the European Union's sustainability strategies: it aims to ensure that products and materials are recycled or reused rather than simply discarded after initial use.

At industrial scale, although there are some opportunities in Europe to recycle or recover large-scale volumes of waste – and transform them into useful materials – waste cannot be sent easily between different EU countries. This creates a significant problem for companies: if waste is only treated locally, and its transport between Member States is effectively blocked, it undermines the business case for recycling and thus actively counters the efforts to create a circular economy on a European scale.

The EU's Single Market matters here. It can create economies of scale across all 27 Member States – which is especially important for the circular economy to take off – while encouraging competition and ultimately benefitting consumers. Waste management facilities in neighbouring EU countries may be geographically closer, more efficient, or cheaper to reach than

1 Eurostat data provided is from 2018: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Waste_statistics.

Relevant Ecosystems:

ENERGY-INTENSIVE INDUSTRIES

CIRCULAR ECONOMY

RETAIL

domestic facilities. When waste moves across borders for purposes other than landfill, it can potentially access recycling options that are unavailable or more costly in the source country. That in turn allows national recycling enterprises to operate in an EU Single Market, affording them the possibility of more scale. Ultimately, it would mean lower environmental and financial costs for waste management. Win. Win.

If waste is only treated locally, and its transport between Member States is effectively blocked, it undermines the business case for recycling and thus actively counters the efforts to create a circular economy on a European scale.

Refuse-Derived Fuel or when a true EU Single Market could boost circular economy and the energy transition

This can best be illustrated by an example. At Solvay, we have an energy transition programme for producing steam that, among others, replaces coal with industrial waste, known as Refuse-Derived Fuel (RDF). There are different arrangements for importing RDF across the EU: for example, while Germany offers a competitive steam price and sufficient volume of RDF, France says RDF cannot travel more than 300km, effectively blocking imports. In Bulgaria, availability of sufficient volume of RDF is an issue and regulation limits imports to max. 50%. Indeed, although the use of RDF is actively stimulated by Bulgaria, including via

imports (to improve local quality), they put a limit in order to prevent waste dumping due to some abuses linked to the actual quality of some imported RDF content.

There are different arrangements for importing RDF across the EU: for example, while Germany offers a competitive steam price and sufficient volume of RDF, France says RDF cannot travel more than 300km, effectively blocking imports. In Bulgaria, availability of sufficient volume of RDF is an issue and regulation limits imports to max. 50%.

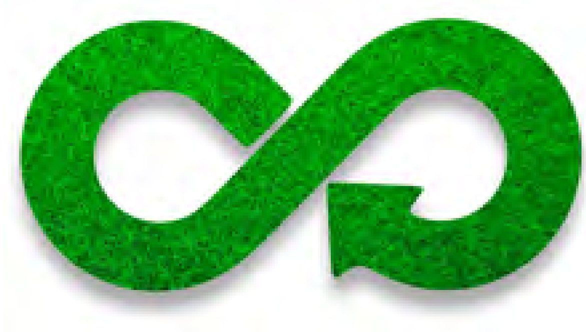
These various local situations may either raise the cost for energy recovery plants that use these waste streams or just simply make it impossible. This severely limits the scope for private sector involvement and in turn prevents countries like Spain, where the underlying RDF market is still nascent, from advancing in its energy transition away from fossil fuels.

If the EU is serious about creating circular business models that stimulate better and more recycling and help Member States in their energy transition, a functioning Single Market for waste transport has to be part of the equation.

How to get there?

A European legal framework for waste management would need to replace the current patchwork of national waste transport rules. This would not only reduce landfills in the short term, but could also advance entrepreneurship in circular economy models in the medium to long term. In time, expanded availability of RDF would ultimately contribute to the selection of clean energy options that can help the EU's efforts to become a carbon neutral continent by 2050.

But it all starts with how we move waste. The more evidently the circular process works, the more people and companies will be motivated to invest time and effort into the circular economy.



Recommendation

Replace the current patchwork of national waste transport rules by a European legal framework for waste management.

Martin Lundstedt
President and CEO
AB Volvo

Cities driving the transition to zero emission transport

A harmonised Single Market approach towards zero-emission city zones would boost innovation, competitiveness and turn several concrete environmental challenges into one real green deal.

The heavy-duty transport sector is in the midst of a paradigm shift to sustainable, zero-emission technologies. Volvo Group, as well as the entire European truck manufacturing industry, is driving the development of electrified vehicles and machines, powered by batteries and fuel cells, as well as automated solutions for the benefit of customers, society and the environment.

The European-based truck industry shares a joint pledge to lead the global transition to carbon neutrality in the on-road freight sector by 2050. Given the long operating life cycle of trucks, this actually implies that already by 2040 all new commercial vehicles sold must be fossil free.

Cities & the EU's climate ambitions for 2050

If Europe is to become the first climate-neutral continent, one important element is to make cities climate neutral. The EU Sustainable and Smart Mobility Strategy set the target of '100 European climate neutral cities by 2030'. Several major urban areas are already exploring policy tools to support this ambition on a local and regional level.

The Netherlands are at the forefront. The Dutch government has developed a Climate Agreement with the target to

Relevant Ecosystems:

MOBILITY – TRANSPORT – AUTOMOTIVE

The Netherlands are at the forefront. Nineteen cities have already officially announced that they will be implementing zero-emission zones in 2025 in pursuit of emission-free goods deliveries. But city access policies in most of the EU are fragmented. A truck or bus being granted access in one urban area might not benefit the same type of access in a different city in an adjacent Member State.

have zero-emission zones in city logistics established in 30 to 40 major cities by 2025. Nineteen cities have already officially announced that they will be implementing zero-emission zones in 2025 in pursuit of emission-free goods deliveries.

But city access policies in most of the EU are fragmented. A truck or bus being granted access in one urban area might not benefit the same type of access in a different city in an adjacent Member State. For example, Copenhagen puts the limit to Euro V, while Malmö has Euro VI – two cities with less than 8 km driving distance in between. Since Euro VI is the latest emission step in Europe, implemented as a requirement for vehicle sales in EU since 2014, it would be natural to harmonise this to Euro VI for all cities in Europe. The good news for now is that Copenhagen will finally align with Malmö and use Euro VI from 2022, but this kind of alignment is needed on a much broader scale.

Time to harmonise the way urban areas are regulated

The Volvo Group is urging national and local policy makers across the EU to jointly decide and implement firm plans to regulate urban areas into zero-emission zones. This is one of the best ways that they could

boost the Green Deal while incentivising green innovation in the transport industry. There are many benefits to a coordinated implementation of zero-emission zones. First and foremost, it would be an important step towards a climate neutral continent. According to the European Commission, cities cover about 3% of the land on Earth, yet they produce about 72% of all global greenhouse gas emissions. It is estimated that by 2050 almost 85% of Europeans will be living in cities. Simultaneously, it would address several other areas affecting the wellbeing of citizens in Europe, e.g. air pollution and noise.

The harmonised implementation of zero-emission zones across the single market is what would create a solid and significant demand for zero-emission vehicles – a very important basis for both vehicle manufacturers and infrastructure providers.

Looking ahead, the challenge today and tomorrow for trucks and buses is the transition from diesel-fuelled vehicles to electromobility in zero emission vehicles. The technology is on its way, but the harmonised implementation of zero-emission zones across the single market is what would create a solid and significant demand for zero-emission vehicles – a very important basis for both vehicle manufacturers and infrastructure providers.

The majority of these vehicles will be powered by battery electric drivetrains. Larger volumes will speed up cost reductions on all levels and thereby reduce transport costs. This is key to a successful Green Deal.

Furthermore, zero-emission zones with good geographical coverage will support the rationale for implementing regional and long haul zero-emission transportation between zero-emission cities and regions, without the need for additional EU regulation. This could break new ground for the next major innovation step in climate neutral transportation, hydrogen and fuel cell operated heavy goods transportation.

Deeper integration of various markets across the EU can secure Europe's global leading position in efficient and sustainable transport. It is the opportunity to strengthen the innovation and competitiveness of the sector. Let's not miss this chance.

Recommendation

Roll out zero-emission zones in urban areas across the Single Market in a harmonised and coordinated manner.

FREE MOVEMENT OF

People | **Goods** | **Services** | Capital

Guillaume Faury
CEO
Airbus

AIRBUS

Gaining altitude

What's needed to make the decarbonisation of aviation reach cruising altitude?

After decades of progress during which the world seemed to become smaller and more connected, the past two years have brought about a major shift. Aviation has reached an inflection point centred around two major challenges: engagement in the digital transformation and the decarbonisation of the aviation sector, which will require an unprecedented effort in innovation and investment and recovery from the Covid crisis which has cost airlines and airports over €250 billion.

In practical terms, aviation will have to adapt to new technologies and rely upon new energies, in volumes and at appropriate prices, as well as on new production, transportation and storage assets. This transition will need to involve stakeholders' way beyond the current boundaries of the aviation ecosystem. Ambition for an innovative aerospace industry has always been a key strategic objective at national level. Through its flagship air transport initiatives CleanSky and SESAR, the EU has been incentivising innovation towards decarbonisation for more than a decade. For its part, Airbus is working on three different concepts for the world's first zero-emission commercial aircraft by 2035 through its ZEROe initiative.

From visibility, comes efficiency

Air transport is both an agent and a symbol of globalisation and air connectivity that only works in a network built on the same norms. These qualities have also made it arguably the most joined-up and efficient sector in transport – built on the robust foundation of internationally agreed safety regulation and advanced through innovation built on interoperability. In the world of international connectivity, this was the only way to achieve scale. As we move to a new paradigm in air transport, the ambitious objectives once again depend on Single Market approach to the challenge: close **cooperation and alignment** with manufacturers, airlines, airports and air navigation service providers on the industry side; and with the EU authorities

Relevant Ecosystems:

AEROSPACE & DEFENCE

MOBILITY – TRANSPORT – AUTOMOTIVE

and Member States to change the global ecosystem and support investments.

Parallel runways to decarbonising aviation

The European aviation sector supports the EU Green Deal objectives of carbon neutrality in 2050 and a 55 per cent reduction in CO_2 by 2030. The recently announced Destination 2050 initiative – involving various segments of the aviation sector – reflects how they are joining the dots of private sector collaboration for decarbonisation. They have set out a roadmap links the initiatives and policies

The decarbonisation of aviation will need airlines, manufacturers and regulators to work hand in hand at joining the dots and creating the right environment for success.

that will encourage efficiency and innovation, including ambitious targets to **scale up sustainable aviation fuels (SAF)**.

SAF is a ready-to-use technology, capable of reducing emissions by up to 80% across the entire SAF lifecycle compared to traditional jet fuel. Existing aircraft are already certified to use 50% of sustainable fuels (a figure which constantly increases), but the effective drop-in ratio remains far below 1% in practice. To achieve meaningful impact, the real world use of SAF needs to be turbo-charged to market.

In its landmark *Fit for 55* package the EU ReFuelEU initiative proposes to gradually scale up the use of SAF, with a starting point of 2% in 2025, moving to 5% in 2030, 20% in 2035, 32% in 2040, and 63% in 2050. The mandate obliges fuel suppliers at EU airports, rather than airlines directly, with the aim of covering all flights departing from locations in the bloc. This does place some obligations on EU airports to provide the necessary infrastructure for the delivery, storage and uplifting of the SAF too. Against that backdrop, diverging approaches are already emerging in key EU Member States. For example, Germany is pursuing a volume-based mandate of a specific type of SAF, while France is pursuing percentage-based use of broader categories of SAF at airports located within its borders. These examples reflect how a harmonised Single Market regulatory framework is needed to ensure that supply and demand can gain scale and SAF can gain lift as an applied solution.

Securing Hydrogen

The second strand lies in **liquid hydrogen technology** propulsion. For the ZEROe concepts we plan to bring to market by 2035, a complete transformation of aircraft technology and of enabling assets is required. This means supporting innovation and investments in the new technologies, new energy ecosystems and the new infrastructure that will be required to achieve these objectives. A challenge of such magnitude can only be addressed by deepening the Single Market to acknowledge and confirm the role of new technologies and ensure uniform rollout of the infrastructure across the EU airport network.

This will rely on the Single Market regulatory framework keeping pace with breakthrough technologies – such as liquid hydrogen storage, hydrogen combustion in modified gas turbines and hydrogen fuel cells for aircraft applications – all of which are still being evaluated and tested. The objective is harmonisation of new hydrogen regulations, as well as clear, long-term support on emissions regulation in the form of mandates. Not unlike the situation with SAF, it will also require funding to ensure the availability of energy (sustainable fuels and hydrogen) in the right quantities, at the right place, at the right time, and at an affordable price.

In the highly regulated space of the airport site, the best way to ensure that infrastructure-lag doesn't slow down the decarbonisation of air transport is to view the rollout of new technologies through the lens of the Single Market.

The **infrastructure to deliver hydrogen won't simply pop up overnight**. In the highly regulated space of the airport site, the best way to ensure that infrastructure-lag doesn't slow down the decarbonisation of air transport is to view the rollout of new technologies through the lens of the Single Market. This is the fastest route to making cleaner energy solutions available at a critical mass of airports across EU Member States. For that to happen by 2035, regions will need some financial supported and technology rollout will require mapping, planning, coordination and post-construction verification and maintenance.

Ultimately, a level playing field is at the heart of a decarbonised aviation industry, based on a Single Market regulatory framework endorsed by all Member States – to help lift barriers to market uptake. **Alliances** on Recycled and Low Carbon Fuels and Zero-Emission Aviation as well as Important Projects of Common European Interest (IPCEIs) on Hydrogen have a part to play their part in helping discourage fragmentation at the European level. One additional idea that could go a step further, is the establishment of an **EU Pact for Sustainable Aviation**, with a system of positive incentives, and synergies across different EU instruments (including EU ETS revenues).

However, given the fragility of the aviation sector as it slowly emerges from the Covid crisis, all mandates will needed added economic measures – which can help absorb inherent extra costs along the value chain – so that the decarbonised next generation of European aviation can take off.

Recommendation

Establish an EU Pact for Sustainable Aviation, with a system of positive incentives and synergies across different EU instruments (including EU ETS revenues).

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Martin Brudermüller
Chairman of the Board
of Executive Directors
BASF

Turbocharging renewable energy take-up

The EU wants to be a leader in energy transition. It won't happen without the full integration of European energy markets.

Recent extreme weather events and the 6th Assessment Report of IPCC have made it painfully clear that climate change is one of the biggest concerns of our time – an existential issue that is driving a step change in societies' relationship with energy.

However, as demand shifts from fossil fuels to electricity, the sourcing and infrastructure that would enable its distribution needs significant development and a strategically coherent approach. The Single Market – one of the fundamental pillars of the European Union – could play a transformative role in allowing renewable energy to flow freely into the electricity grid.

Creating a Single Market for Energy would significantly support the industry's path towards more ambitious sustainable practices, as well as the achievement of the Union's renewable energy targets. This will require two main conditions: removing unnecessary regulatory burdens and red tape, and investing in building the right infrastructure.

Securing competitive accessibility to scale up renewable energy

New, climate-friendly technologies will only work at a large scale if the industry can secure access to renewable electricity at competitive prices. This can only be delivered through a more deeply integrated European energy market. At the moment, however, an uncoordinated approach to energy infrastructure stands in the way of progress.

Relevant Ecosystems:

ENERGY-INTENSIVE INDUSTRIES

RENEWABLE ENERGY

A case in point is a joint investment by Vattenfall and BASF in the World's largest offshore wind farm in the North Sea off the Dutch coast, with 140 wind turbines and a total installed capacity

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of 1.5 Gigawatts. Due to become fully operational in 2023, this wind farm will be the first fully merchant offshore wind farm in the world that does not receive any price subsidies for the power produced.

The aim would be to use part of the electricity produced from the windfarm to power innovative, low-emission technologies at several of our production sites in Europe. However, existing barriers in the energy market, such as insufficient interconnectors, grid bottlenecks, surcharges on renewable electricity, prevent several BASF sites – including our major site in Ludwigshafen – from sourcing this sustainably-produced energy.

This example further highlights the need for dedicated infrastructure, across the European Union, to remove existing grid bottlenecks, domestic and cross-border – finally allowing renewable electricity to circulate from regions with abundant energy production to industrial centers.

Cases like this, where distribution isn't in place to complement the efforts being invested in energy production, highlight the disconnect in the current approach and the risk of a disjointed, incoherent energy transition.

Arresting the effect of fees, levies & taxes on competitiveness

There is another problem casting a shadow – namely, an outdated system of taxes and levies. Under current conditions, sending electricity through grids usually implies paying fees, levies, and taxes on that same energy, regardless of its source.

In Germany, for instance, the EEG levy represents a clear burden on competitiveness and sustainability, as it more than triples the price of renewable energy sources (RES) electricity – thus effectively suppressing its increased use in energy-intensive industries.

To overcome these burdens, new policies will have to be developed to bridge the economic gap for cost-sensitive businesses competing in the global marketplace. At EU level, this will require a transparent EU State Aid framework which reflects economic realities and provides appropriate investment security across the EU Single Market.

In Germany, for instance, the EEG levy represents a clear burden on competitiveness and sustainability, as it more than triples the price of renewable energy sources (RES) electricity – thus effectively suppressing its increased use in energy-intensive industries.

With so much emphasis on the EU's green transition, the conditions are in place for national governments to cooperate to provide more areas for renewable energies and speed up the approval process for electricity generation and distribution. This is inevitable if the soaring demand for renewable energy is to be satisfied, both for industry and consumers.

Accelerating the change

Society has become keenly aware that the implementation of pioneering, new low-emission technologies are an essential pillar of the EU's climate strategy – underscored by the EU Green Deal and the EU's Climate Pact.

Moreover, citizens fully support the expansion of renewable energy in the EU, as evidenced by the result of a Special Eurobarometer Survey on Climate Action undertaken earlier this year. The survey revealed indeed that 87% of respondents believe that it is important for the EU to set ambitious targets to increase the use of renewable energy.

These can, however, only succeed if the availability of renewable energy is expanded in a joined-up way that doesn't just focus on production but on delivery infrastructure and the broader taxation framework too.

Businesses are aware that the window of opportunity is now – and, as the IPCC spelt out in its latest report, time is of the essence.

Recommendation

Remove domestic and cross-border grid bottlenecks that disrupt the circulation of renewable electricity and create a transparent EU State Aid framework which provides appropriate investment incentives and security across the EU Single Market.

Jean-Pierre Clamadieu
Chairman
Engie

Pinning down promise

Renewable energy generation is gaining pace, but the potential for industrial clients to use that energy is currently limited.

The European Union has set targets for raising renewable energy generation. However, things still need to be improved to make renewables more readily available to industry. The problem today is that solar, wind and hydro-electric power stations are often far from where industrial clients have their installations. Such clients often buy their renewable electricity from other countries, and typically use a Power Purchase Agreement (PPA), which is a long-term contract to buy directly from a renewable energy generator. The contracts, which usually run for 10 to 15 years, mitigate the risk of price fluctuations while ensuring carbon reduction goals are cost-effective.

The principle of the PPA is to both support the long-term business developers of renewable projects and help industrial clients buy long-term renewable electricity contracts. It is a good tool, in principle.

PPAs can be concluded across borders which is helpful to better connect European energy markets. However, as electricity prices in Europe are determined per country, there can be price differences that vary over time in unpredictable ways. For example, as a buyer, a steel company in Germany purchasing from a renewable producer in Spain would see price differentials vary between €3.5 and €19/MWh between 2015 and 2020. At an industrial level, that is a significant difference.

This risk can be mitigated with the use of transmission rights to secure prices. But the owners of the transmission assets – the Transmission System Operators (TSO)[1] – currently only sell transmission rights for the year ahead.

1 A TSO is an entity entrusted with transporting energy in the form of natural gas or electrical power on a national or regional level, using fixed infrastructure. In Belgium, examples are Elia and Fluxys, in Germany, examples are TransnetBW and GasUnie.

Relevant Ecosystems:

ENERGY-INTENSIVE INDUSTRIES

RENEWABLE ENERGY

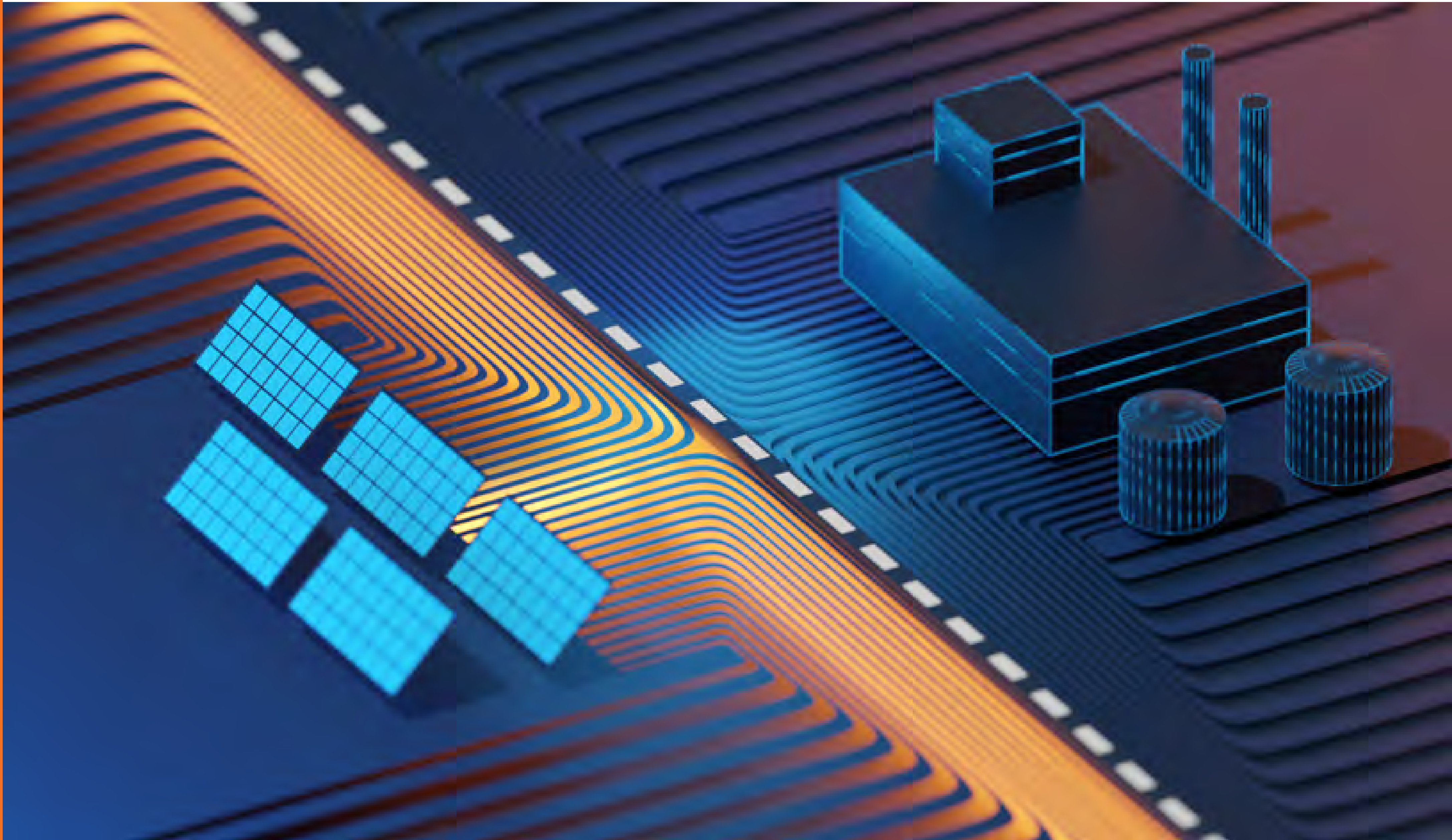
What's another year?

This is an EU Single Market issue: cross-border activities are limited because they cannot be negotiated for longer than a single year. Because of these barriers, businesses cannot contemplate operations at EU scale. The rule discourages market participants, such as Engie, E.ON and others from developing cross-border PPAs. The result is that it slows investments in the energy transition to a low-carbon

PPAs can be concluded across borders which is helpful to better connect European energy markets. However, as electricity prices in Europe are determined per country, there can be price differences that vary over time in unpredictable ways.

economy, jeopardising the EU's hopes of reaching its target of 40% of renewables in EU energy consumption by 2030.

So, how can this be resolved? Urging the operators (the TSOs) to issue cross-border transmission rights for a duration longer than the year ahead would significantly mitigate the cross-border price risk, helping all parties. It would give the clients access to low-carbon electricity at optimal cost and help achieve the decarbonisation



targets quicker. This change would also give TSOs a clear signal to invest in transmission grid reinforcement.

The solution is actually very easy to enact. There is no need for the European Commission to issue any new piece of legislation. The Commission just needs to call out the issue and ask European TSOs to initiate a revision of the existing guidelines and to review their practices to reduce the financial risk currently incurred by cross-border PPAs. There would only be minor modifications of technical methodologies, and the relevant guidelines should be adapted and validated by relevant national and European regulatory authorities.

The solution is actually very easy to enact. There is no need for the European Commission to issue any new piece of legislation. The Commission just needs to call out the issue.

This is a simple and urgent change that would not only improve the EU's Single Market – it would also help the EU reach carbon neutrality by 2050. All market players – producers and consumers – need to commit to decarbonisation, to develop the right solutions and have access to the appropriate products.

Calming volatile energy prices

The prospects for the EU's energy market are huge. In 2020, PPAs already represented a total capacity of 11GW. However, forecasts say that if more than 300 international businesses committed to 100% renewable electricity, they will collectively need to buy an extra 269TWh of clean electricity in 2030. Should this shortfall be met exclusively with offsite PPAs, it would catalyse an estimated 93GW of new, incremental solar and wind projects.

That's not forgetting that PPAs can also provide an efficient response to volatile energy prices, which in 2021 became an especially pressing issue. Indeed, in October 2021, the Commission published its 'EU Toolbox to tackle rising energy prices' in which it urges Member States to encourage wider access to renewable PPAs.

The development of long-term cross-border renewable PPAs is one of the key solutions for the industry. Their expanded use depends on efficient, long term access to the transmission infrastructure managed by TSOs. Promoting such a complete and integrated internal electricity market will help to decarbonise energy and support the Single Market.

Recommendation

Ask European TSOs to revise the existing guidelines enabling the issuance of cross-border transmission rights, so that they are in line with the needs of companies (industry, utilities, etc.), for long-term hedging of energy via PPAs.

Ignacio Galán
Chairman and CEO
Iberdrola

Engineering the Energy Union

Simplify tax and administrative procedures to create a real Energy Union and to reach our climate goals.

As the European Union advances with its green transition, the energy sector will play a crucial role in cutting emissions. This shift relies on investments in renewables, power networks and energy storage to promote the electrification of our economies. It is a journey that the energy industry is ready to make and it will be worth the effort. The energy transition can be a success story in terms of growth and high-quality jobs and the key for a stronger, more sustainable European economy.

However, the process currently faces two significant barriers linked to the Single Market: administrative obstacles and divergent taxation regimes. These hurdles are hampering the EU's ambition to build a robust Energy Union.

Twenty years ago, Iberdrola anticipated the transition towards what were then seen as alternative energy sources and moved to build a clean, reliable and inclusive business model. We are currently rolling out flagship projects like the Alto Tâmega "Giga battery" – Portugal's largest pumped-storage hydro project, the full digitalisation of the electricity grids in Spain and the UK, the Baltic Eagle and Saint-Brieuc offshore wind farms in Germany and France, or the Pizarro solar plant in Spain. These are massive projects and their impact will be transformative. But we increasingly find that permitting procedures are becoming more complicated, excessively time-consuming and involve too many contact points.

Lengthy and diverse permitting criteria delay renewable energy projects

Procedures on some projects can take 6 years, whereas the construction and activation might take less than a year.

Relevant Ecosystems:

RENEWABLE ENERGY

In the race to achieve green transition and avert climate catastrophe, why is permitting taking so long? Nobody disagrees that robust procedures and criteria are needed to ensure that electricity investments do not damage biodiversity and the environment, but the problem is that permit criteria are not harmonised at EU-level.

In the race to achieve green transition and avert climate catastrophe, why is permitting taking so long? Nobody disagrees that robust procedures and criteria are needed, but the problem is that permit criteria are not harmonised at EU-level.

These disparities and over-complexity in the rules risk undermining the EU's efforts to become carbon neutral by 2050.

EU countries have established 10-year integrated National Energy and Climate Plans (NECP) from 2021 to 2030. In those plans, they have outlined how they intend to cut greenhouse gas emissions and expand renewables, energy efficiency, interconnections and research and innovation. But in practise, the required investments described in the NECPs will only happen if permitting is streamlined across the EU.

The revision of the Renewable Energy Directive could be the moment to address this anomaly by improving permitting. A benchmarking system would be the starting point – based on relevant key performance indicators against which EU-27 and the European Commission can weigh their performance and highlight best practices.

The new system should allow the simultaneous completion of the various necessary procedures – today the process is excessively sequential –, as well as a greater involvement of chartered professionals in the certification system.

Eventually, a single set of rules could be streamlined across the EU.

Taxation compromising competitiveness

The revision of the Energy Taxation Directive will be key to align taxation with the EU energy and climate policies, but also to promote the competitiveness of our economy.

The divergence between national taxes and levies has led to a huge disparity in electricity prices across the EU.

On one hand, taxes on electricity, such as VAT, should be harmonised and oriented to promote the decarbonisation of our economy on the basis of the "polluters pay" principle[1].

On the other, levies and costs not related to the supply should be eliminated from the electricity bill.

However, the Commission's fourth report on energy prices and costs, published in October 2020, the share of taxes and levies has climbed steadily over the last 10 years[2]. While energy prices have been on a downwards general trend and network costs have remained stable over the past years, the extra taxes and levies have actually raised industrial power prices.

The Commission's fourth report on energy prices and costs, published in October 2020, revealed the share of taxes and levies has climbed steadily over the last 10 years.

Moreover, the non-energy component of the industrial power price can be five times higher in some Member States than in others. This divergence between Member States hampers any attempt to set up a truly European electricity market that would allow the circulation of electricity from cheaper generation sites to other regions.

All this have also reduced the competitiveness of European industries against peers in other countries, like the United States, where those charges are lower and more reasonable for companies.

Switch on the power of the Energy Union

The Energy Union is an essential dimension of the Single Market and integral to the success of the Green Deal and the decarbonisation of our economies. It can help us meet our ultimate goal of delivering a clean, affordable and secure energy system to EU industries, households and consumers. But without unity, improved administrative procedures and smarter taxation, there will be a lag in the investments needed to drive the green recovery and put us on the right track to climate neutrality by 2050.

1 European Commission, COMMISSION STAFF WORKING DOCUMENT Accompanying the document REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Energy prices and costs in Europe, 13 October 2020, COM(2020) 951 final, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2020:951:FIN. VAT rates range from 5-6% in Greece and Malta to 25-27% in Denmark, Sweden and Hungary.

2 Idem. For a detailed overview, see slide 25 of Eurelectric's 2021 Power Barometer: https://powerbarometer.eurelectric.org/wp-content/uploads/2021/09/Full-slide-deck.pdf. Taxes and levies have grown 29% since 2010.

Recommendation

Revise the Renewable Energy Directive and Energy Taxation Directive, to streamline administrative procedures and align taxation with the EU energy and climate policies.

Florent Menegaux
CEO
Michelin

Getting to the pump

Europe's hopes for hydrogen rest on interoperable infrastructure.

Can the hopes for hydrogen mobility match the hype? In theory, clean hydrogen could eliminate carbon dioxide emissions from big energy users like road transport, aviation and shipping, helping the European Union meet its pledge to become climate-neutral by 2050. As the most abundant element in the universe, hydrogen is in plentiful supply. Being the most flexible energy carrier, it is also the perfect match with renewable energy It is also versatile and already widely used across industries. Above all, it accelerates decarbonation of transport: hydrogen fuel cell electric vehicles emit only water from their tailpipes.

But for all the promises of the perfect, carbon-free fuel for transport and other industries, the challenges to get there are enormous. A complete overhaul of the energy system is required, including lower production costs, transport and storage facilities and a viable Single Market. When it comes to hydrogen mobility, the network needed for the hydrogen power supply chain does not exist yet. There are only a handful of refuelling stations for hydrogen vehicles in Europe – less than 200, according to the International Energy Agency[1] (this number is confirmed by the 2020 assessment of the Hydrogen Council amounting to 260)[2], echoing the recharging issues facing electric and hybrid vehicles more than a decade ago.

Nevertheless, every big venture has to start somewhere. One of the biggest obstacle to zero-emission hydrogen mobility is interoperability. If hydrogen mobility is to become seamless across Europe, it needs interoperable hydrogen refuelling stations (HRSs) in every country. The success of hydrogen mobility depends not just on the amount of infrastructure available, but also

1 More info here: https://www.iea.org/reports/hydrogen.

2 Hydrogen Council, Path to hydrogen competitiveness: A cost perspective, 20 January 2020, https://hydrogencouncil.com/wp-content/uploads/2020/01/Path-to-Hydrogen-Competitiveness_Full-Study-1.pdf.

Relevant Ecosystems:

RENEWABLE ENERGY

on the ease of access to and use of that infrastructure across national borders.

This is not the case yet. But it can be. The EU needs to agree on a standard vehicle or driver identification mechanism at the station to link the vehicle to the refuelling system.

Ensuring standardised access

Like any emerging solution, hydrogen mobility does not start from scratch: it is already used in business-to-business (B2B) models with professional fleets. However, this has led many of the HRS operators adopting exclusive

The success of hydrogen mobility depends not just on the amount of infrastructure available, but also on the ease of access to and use of that infrastructure across national borders.

identification and payment systems with user fleets which limits the scope of hydrogen mobility: users can only refuel at specific stations in Europe. Nor does the user have clear market information about prices and available stations.

These factors represent concrete obstacles to the deployment of hydrogen mobility in Europe. And they add up to a Single Market barrier: although this market is emerging, it cannot fully develop unless there are clear, enforced and EU-wide rules on hydrogen refuelling.

As in many emerging markets, the regulatory barriers to hydrogen mobility are not yet obvious. With the EU's ambitious climate goals, time is of the essence and the challenge is to provide a framework so that the market does not develop in an uncoordinated, non-standardised way. Mobility, especially for professional users, is based on the Single Market. If professional drivers cannot use the new zero-emission vehicles for their long journeys – which

often cross borders – then the hopes for zero mobility could be stifled at birth.

This is especially urgent given the EU's stated ambitions for a hydrogen ecosystem that includes mobility. The European Commission's *Fit for 55* package, published in July 2021, puts the EU on course to deliver climate neutrality by 2050 and includes many measures, notably one hydrogen refuelling station available every 150 km at least along the TEN-T core network and one hydrogen refuelling station per urban node.

If professional drivers cannot use the new zero-emission vehicles for their long journeys – which often cross borders – then the hopes for zero mobility could be stifled from the outset.

Before that, the Commission's July 2020 Hydrogen Strategy called for the EU to become a global leader in hydrogen development. The Commission's December 2020 Sustainable and Smart Mobility Strategy aimed to have at least 30 million zero-emission cars and 80,000 zero-emission trucks on European roads by 2030 – with hydrogen mobility accounting for much of them.

All of this means that authorities and market players need to work together. We need to secure access for professional end users to every single station, wherever its location in any of the EU's Member States. We need to ensure standardisation at European level of the vehicle or driver identification mechanism at the station and the communication so that it will be as easy to fill up with hydrogen as it is with diesel. We need to deploy dual pressure stations (350 and 700 bars). And we need the same safety regulations: in Germany, the current safety distances around the stations are not the same as in France, where a wall is also required. Some countries, like France, have set up an authorisation system (ICPE 4715 – Installations Classified for the Protection of the Environment) for energy storage above one tonne.

Unless we can resolve these issues and craft a real single market in the EU, hydrogen will struggle to develop as a future fuel and a viable part of the energy equation in European mobility. But if we can, then hydrogen mobility has the potential to revolutionise mobility by decarbonising transport and offering a real solution to the climate crisis.

Recommendation

Implement standard vehicle or driver identification mechanisms at hydrogen refuelling stations (HRSs) to link vehicles to the refuelling system.

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Ian Davis
Chairman
Rolls-Royce

Putting SAF on the graph

Make flying greener with sustainable aviation fuel (SAF).

Aviation is a key driver for connecting EU regions, boosting development and the growth for the economy as a whole. However, at the time of the energy transition, nothing has been done so far to regulate alternative and clean fuels that have emerged in the past decade. With so much focus on the emissions generated by the transport sector, the significance and visibility of the aviation sector put it firmly in the spotlight. Every player in the air transport sector knows there is a huge challenge ahead, as the technology does not currently exist to electrify large-scale aircraft. But while we have not yet developed an emissions-free flying system to replace the jet, we can mitigate aviation's carbon footprint. Using sustainable aviation fuel (SAF) can cut emissions considerably, contributing to Europe's green transition.

What is SAF? These are advanced biofuels with similar chemistry to traditional fossil jet fuel but made from sustainable feedstocks. They use cooking oil and other non-palm waste oils from animals or plants; solid waste such as packaging, paper, textiles; and food scraps that would otherwise go to landfill or incineration. SAFs can be blended with kerosene, the conventional jet fuel, without requiring changes to the aircraft engine. In tests, SAF can cut up to 80% in carbon emissions compared to the kerosene it replaces. This would significantly reduce aircraft emissions.

But as impressive as those numbers are, SAF still faces challenges.

Make & do

SAF is more expensive than conventional fuels, partly because it is relatively new and represents only 0.05% of total jet fuel consumption, so supply needs to be scaled up. While most jet engine systems can run on synthetically derived low-carbon

Relevant Ecosystems:

AEROSPACE & DEFENCE

RENEWABLE ENERGY

fuels, air transport faces shortages in demand based in part on the high costs associated with manufacturing such fuels. One of the biggest barriers behind these issues of limited supply and demand is that there is currently no clear regulatory framework in the EU. This has resulted in diverging national SAF regulations that impede the rollout of unblended SAF across the bloc, hereby hindering the proper functioning of the Single Market.

To illustrate, Germany is concentrating on Power-to-Liquid-kerosine (PtL-kerosene) based on green hydrogen and sets a target

SAF can cut up to 80% in carbon emissions compared to the kerosene it replaces. This would significantly reduce aircraft emissions.

of 200.000t in German aviation traffic until 2030. In France, SAF incorporation targets (1% from 2022, 2 % in 2025 and 5 % in 2030) align with the percentage targets that have been proposed on EU level. These two examples show a clear difference in approach: France has chosen %-goals, while Germany has opted for a goal in absolute numbers. Regarding SAF specifically, France does not focus on a specific SAF, but Germany concentrates on PtL-kerosene.

In the past decade, airlines have used SAF on thousands of flights, blended it

with kerosene, however, most airlines still only use SAF in small proportions in blends. This is partly due to the aforementioned regulatory divergences between Member States and partly because current International Air Transport Association (IATA) regulations limit biofuel to 50% of any blend with kerosene.

These barriers frustrate those who want to go further and faster in making flying greener.

The new regulation would scale up the use of SAFs from 5% in 2030 to 20% in 2035 and 63% in 2050. We would encourage a higher staring point of 10% in 2030.

ReFuelEU Aviation

The European Commission has already indicated in its ReFuelEU proposal that it wants to impose a blending mandate to progressively switch to SAF. If agreed, the new regulation would scale up the use of SAFs from 5% in 2030 to 20% in 2035 and 63% in 2050. We welcome these concrete targets for SAF incorporation and would encourage a higher staring point of 10% in 2030. This would create even stronger incentives for the massive investments needed to scale up production.

In order to avoid a fragmentation of the developing SAF market in Europe, it is important that national strategies to support SAF are strongly aligned with the European targets. Besides the concrete targets, in order to successfully scale up SAF, more public funding is needed. Therefore, ReFuelEU should include a reference to SAF funding opportunities on European level. Contracts for Difference for the production of e-fuels from renewable energy and Carbon Contracts for Difference for the end-users of SAF are an example for helpful financial instruments.

For its part, Rolls-Royce feels a responsibility to advocate and accelerate the availability of alternative fuels, and its ongoing and intensifying SAF tests are part of this. Their current engines can already operate with 100% SAF.

Aviation keeps the world connected, but it must become sustainable. SAF could be a vital ingredient in the green transition. Moving away from traditional fossil fuels could make a huge contribution towards making the EU net-zero carbon in aviation. If the EU enables a harmonised framework that allows SAF production to be scaled up, it can make a real difference for our planet.

Recommendation

Ensure that national strategies to support SAF are strongly aligned with the European blending targets of 2035 and 2050 and that the ReFuelEU proposal includes references to EU-level SAF funding opportunities.

Martina Merz
CEO
Thyssenkrupp AG

The shape of water

Decarbonisation demands a Single Market for hydrogen.

As the world works to combat climate change, one of the biggest challenges will be to decarbonise industry. Hydrogen has an important role to play in these efforts, notably in the steel sector, where it is the most effective way to cut CO_2.

When steelmakers use just one tonne of hydrogen in their production processes, they can save around 28 tonnes of CO_2. This could have a transformative effect on carbon emissions. However, if this is to happen at the scale required, the European Union needs to create a single energy market that includes hydrogen. This would be the best way to balance out the different hydrogen arrangements across EU Member States. Due to the varied landscape of power production the hydrogen comes across the European Union with different "colours" and CO_2 footprint. For example, nuclear power dominates in France, while Poland uses mainly fossil-based electricity and Germany has a mix with a highly volatile share of wind and solar.

Green hydrogen, which is hydrogen-produced fuel obtained from a low-carbon power source, will remain a scarce resource for the next few years. Green hydrogen will also require big investments in infrastructure, an upscaling of production capacity for water electrolysis and breakthrough technologies for production processes.

These endeavours can only succeed with an intelligent interplay of private-sector and government frameworks to support and promote respective investment projects – both at the national and European levels. Only then can the market be ramped up to secure larger volumes of hydrogen for the European market. So how do we get there?

Harmonised European regulation

Firstly, we need to overcome some major obstacles to the hydrogen market. The most obvious obstacle is that there is currently no EU-wide regulatory framework in place, and national regulations differ from country to country. This creates problems for the long-distance cross-

Relevant Ecosystems:

ENERGY-INTENSIVE INDUSTRIES

RENEWABLE ENERGY

border pipelines, for example, between the Netherlands and Germany, which will be needed for any effective transport of hydrogen. Furthermore, there are no uniform European technical standards for pipeline-based hydrogen transport. Many Member States in the European Union impose different limits on hydrogen blending in natural gas networks. To give an example: while the limit in Germany is 2 percent, the norm in France is 6 percent.

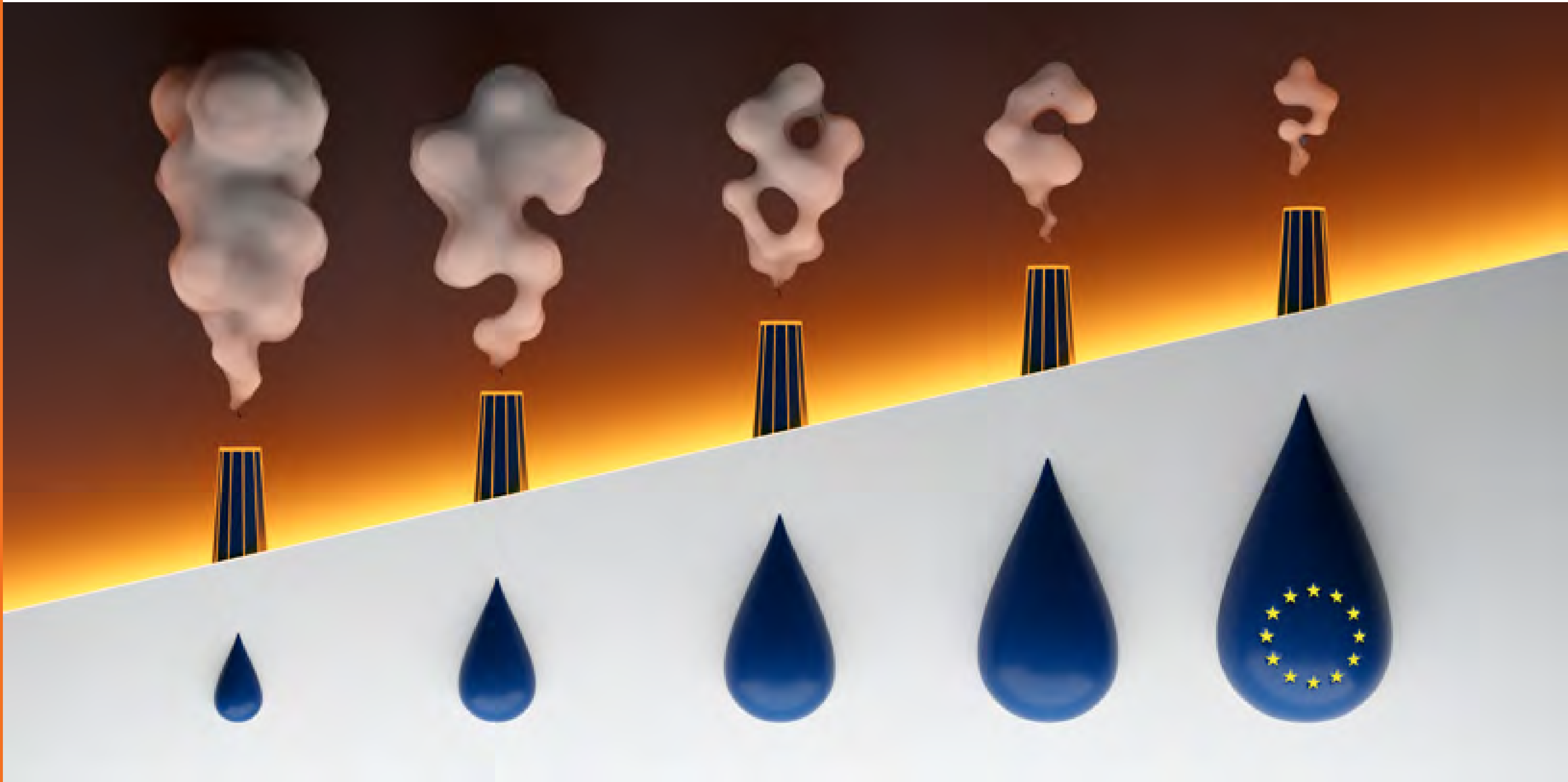
We need to overcome some major obstacles to the hydrogen market. The most obvious obstacle is that there is currently no EU-wide regulatory framework in place, and national regulations differ from country to country.

The priority for the EU should thus be to harmonize European regulations on network access. The good news here is that existing natural gas pipelines can be easily converted into hydrogen pipelines. However, the financing of the additional costs for the necessary conversion of the gas grid will need to be shared between all users who will benefit from the grid.

When it comes to hydrogen production, there are other angles to consider. Hydrogen prices need to be competitive to incentivise energy transition – although this could be achieved through relief from grid costs and the scrapping of levies for electrolysis electricity. Nor should a Single Market discriminate against decentralised near-site and onsite electrolysers near the main consumption points.

Multinational approaches are necessary to meet the demand

The national efforts to ramp up hydrogen are insufficient to meet current demands.



In the long term, politics and industry will need to support production and transport capacities in producer countries both inside and outside Europe. Within the EU, this will involve the wind- and sun-rich countries, including the Netherlands, Portugal and Spain. Outside Europe, likely countries and regions include the Maghreb, the Middle East, Australia and others.

Hydrogen is widely recognised as one of the most promising technologies for decarbonising industry. However, it can only emerge as a real-world solution under certain conditions. The faster we scale up Europe's hydrogen production on an industrial scale, the faster prices will fall, further incentivising adoption. Hydrogen needs to become a competitive commodity. That will only come with rapid upscaling. Achieving that scale would also secure the competitiveness of the European industry.

The faster we scale up Europe's hydrogen production on an industrial scale, the faster prices will fall, further incentivising adoption.

Technology provider for water electrolysis

At thyssenkrupp, we provide technology for water electrolysis, and our steel plant is ready to become one of the largest consumers of hydrogen. But only a single market for hydrogen will allow us to leverage the potential for green end-consumer goods like cars as well as wind turbines or generators. We believe that Europe can amplify and multiply the prospects for green hydrogen. The EU's target of at least 40 GW of installed electrolyser capacity by 2030 is welcome. But that's not enough. We need political action to make the Single Market for hydrogen a reality.

This means that the European Commission should address the fragmentation of hydrogen blending limits and other arrangements across EU Member States to ensure that the same rules are applied and enforced across borders. Intensified partnerships and multinational approaches will be beneficial for all of us. Single actions by individual countries would be the wrong way to go about it. Because the green transformation is a challenge for society as a whole, the success of which is linked to the success and measures of all actors – nationally and internationally. We at thyssenkrupp are ready to further engage here and hope to continue fruitful talks and first of all: future-oriented joint action.

Recommendation

Address the fragmentation of standards and arrangements across EU Member States and ensure that the same rules are applied and enforced across borders.

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Patrick Pouyanné
Chairman of the Board and CEO
TotalEnergies

TotalEnergies

From the get-G.O.

Raising the EU's ambitions for sustainable and renewable fuels.

The climate crisis is a challenge we must all face, and at TotalEnergies, we fully support both the European Union's Green Deal and its ambition to become a net-zero economy by 2050. We are willing to play our part too, transforming our business to become major European suppliers of renewable electricity, biomethane and biofuels. However, Europe's green transformation – and the wider energy transition – would go faster if the EU reformed its Single Market in two key areas.

Guarantees of Origin (GO) as a cornerstone for the development of the internal market for sustainable energies

The first is in renewable energy, which is in increasing demand. Naturally, people who use green electricity want to be sure that it really does come from renewable sources, which is why a system of guarantees of origin was created. A guarantee of origin (GO) is a traceability label. It acts as proof of the energy source and creates transparency by certifying the electricity purchased and consumed – especially since GOs are designed to be traded. In principle, a single standardised GO makes it possible to track ownership and verify claims.

However, even though it is broadly defined in the EU's 2009 Renewable Energy Directive, there is currently no harmonised EU system for GOs. For example, while GOs can be used to track and trace gases like biomethane that are put on the gas grid, some EU Member States, in particular France, only accept it under certain conditions, like a specified carbon dioxide concentration. There are other discrepancies amongst Member States, such as whether to distinguish between GOs for electricity injected into the grid and GOs for electricity used onsite.

Putting in place a harmonised GO mechanism to certify the renewable credentials of the electricity or gas consumed would avoid a situation like where the absence of harmonised EU regulations has led to various national systems emerging rather than of an optimised European system.

Relevant Ecosystems:

ENERGY-INTENSIVE INDUSTRIES

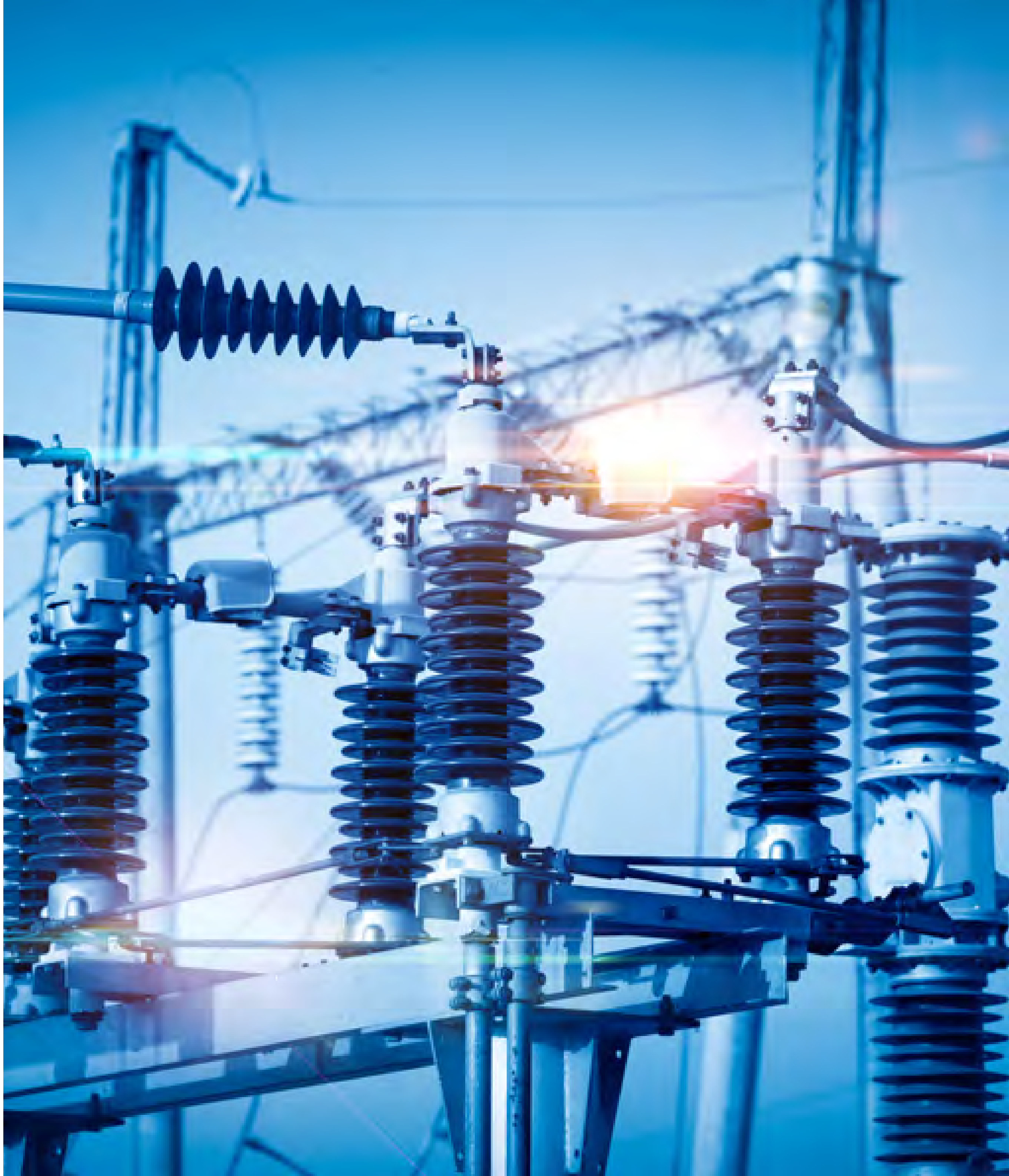
RENEWABLE ENERGY

A European harmonisation of GOs that incorporates the sustainability criteria of the EU's 2018 Renewable Energy Directive (RED II) would help create an organised renewable energy market on the scale of the continent. It would ensure that these guarantees could be traded under conditions of transparency and security.

EU harmonised and flexible rules for SAF to take off

The second area where the EU should act is with sustainable aviation fuel (SAF), which is already helping the aviation sector become cleaner and greener.

However, even though it is broadly defined in the EU's 2009 Renewable Energy Directive, there is currently no harmonised EU system for GOs.



While European aviation has committed to net-zero emissions by 2050, the development and deployment of solutions to address this enormous industrial and technological challenge are still some decades away. In the short and medium-term, sustainable aviation biofuel is one of the most promising ways to meaningfully reduce the environmental footprint of aviation. SAF is produced from waste products like used cooking oil and other sustainable feedstocks. It is a safe, proven fuel, with the potential to reduce lifecycle emissions by up to 80% compared with conventional aviation fuel – kerosene.

Today, SAF supply is limited, accounting for less than one percent of global jet fuel use, mainly because of the current high costs of production. Without efficient incentives, it remains uncompetitive for final users. This is why governments are starting to mandate SAF levels in aviation mixes. For example, France is imposing a blending mandate of 1% of SAF from January 1, 2022, with a target of 5% in 2030 and other Member States like Spain or the Netherlands have also started discussions on mandates or targets. But this is a Single Market issue: the blending mandate should be agreed across the EU (and, ideally, at global level).

Today, SAF supply is limited, accounting for less than one percent of global jet fuel use, mainly because of the current high costs of production. Without efficient incentives, it remains uncompetitive for final users.

The European Commission has already moved in this direction in the *Fit for 55* package by proposing an harmonized minimum blending mandate for SAF by 2025 in the proposed ReFuelEU Aviation regulation. This will provide the necessary regulatory framework for a massive deployment of SAF while supporting industrial investments for the multiple pathways and technological solutions needed to scale up production.

While the level of blending mandate must absolutely be harmonised at EU level, it is key that new production facilities could count on secured access to a sufficiently large range of sustainable feedstocks with already mature technologies. This could be done by assuring the eligibility of a sufficiently large range of RED II compatible feedstocks for SAF production (but excluding food and feed crops), and by leaving some flexibility at Member State level to take into account the specificities of each region while respecting the very strict European sustainability criteria.

Of course, these two measures – on guarantees of origin and sustainable aviation fuels – would be just part of the massive regulatory challenge that the EU is undertaking. But both would nonetheless go a long way to helping the development of alternative and sustainable fuels, which both consumers and industry are seeking. And, along the way, these measures will make it easier and faster to achieve the objectives of the Green Deal.

Recommendation

Introduce the European harmonisation of GOs that incorporates the sustainability criteria of the EU's 2018 Renewable Energy Directive (RED II), and assure the eligibility of a sufficiently large range of RED II compatible feedstocks for SAF production.

Timotheus Höttges
CEO
Deutsche Telekom

The era of "everything is connected"

Why the EU should promote an ecosystem of digital identities.

With evermore of our daily lives spent online, it has become a growing challenge to prove who we are when we are accessing online services. Where once we had a passport to occasionally proof our identity at a border, we now face regular demands for digital authentication, through passwords, thumbprints, and facial recognition. This has increased demand for a secure and trusted online identification, especially with the aim to improve uptake of e-Government services.

The solution is an electronic identity or eID, a self-sovereign and protected proof of identity that can be carried around just like a passport, but also used online. It can be provided as means of identification and authentication, for purposes of registering or creating accounts online, to facilitate access to private sector services, or to use digital services of public administrations.

Such concepts could significantly contribute to Europe's digital sovereignty, when looking at the private sector: Single-Sign-On solutions offered by GAFAs (Google, Apple, Facebook, Amazon) have become the *de-facto* standard to access online services based on a social login. Their activities lead to further market dominance, user lock-in and a loss of control over personal data in exchange for easy-to-use functionalities. Hence, there is an urgent need for neutral, trusted, and standardised alternatives that put citizens fully in control over their IDs and verified credentials.

On the public sector side, the concept isn't new, but today's European market for electronic identities remains fragmented. National eID schemes are so far only used

Relevant Ecosystems:

DIGITAL

by 14 Member States[1], aiming to facilitate administrative processes, e.g., offering access to public services (for example to file an online tax declaration). However, roughly 40% of the EU population has still no access to a national eID scheme[2] – and the ones who do continue to

There is an urgent need for neutral, trusted, and standardised alternatives that put citizens fully in control over their IDs and verified credentials.

1 eiD Documentation, Country Overview, https://ec.europa.eu/cefdigital/wiki/display/CEFDIGITAL/Country+overview. The overview includes the Czech Republic, Estonia, Italy, the Netherlands, Denmark, Spain, Latvia, Germany, Slovakia, Croatia, Belgium, Luxembourg, Lithuania, Portugal.

2 European Commission, Evaluation study of the Regulation no.910/2014 (eIDAS Regulation), 9 June 2021, https://digital-strategy.ec.europa.eu/en/library/evaluation-study-regulation-no9102014-eidas-regulation.

face obstacles when trying to access public services in another country.

Most importantly, both public and private eID solutions still lack reach on the user side – and, as a consequence, they lack acceptance on the supplier side, i.e. service providers from the private sector, and with that they lack attractive use cases. Multiple dedicated eID wallets compete with each other and each one struggles to overcome the critical mass to scale.

Dial I for Interoperability

One particularly important ingredient is missing: the interoperability of eID schemes to overcome the illustrated chicken-egg-dilemma. Without interoperability, the list of possible cross-border and cross-sector use cases would remain widely unexplored: from secure online elections, university certificates and insurance cards to digital driving licenses, eCommerce accounts and information on property ownership or employment – potential future use-cases for digital identities are manifold. A first successful example guiding the way has been the launch of the EU digital COVID Certificate, which is used by different applications, but is fully interoperable across the EU[3].

The European Commission's recent proposal for a harmonized European Digital Identity Framework[4] is therefore a welcoming step that, if done right, could provide real value to European citizens, including scaling up public and private sector initiatives.

Citizens on-board

There is also a clear appetite for this, as revealed by the results of a Special Eurobarometer on attitudes towards digitalisation in the EU (December 2019) – in which 63% of respondents thought it would be useful to have a single, secure digital ID that could serve all online services[5].

The main challenge to ensure easy uptake by users however needs to be addressed: an electronic proof of identity must work on a smartphone and be just as easily available and secure as conventional documents and identity cards.

To effectively address the illustrated problems, the European legislator should now ensure that the final EU framework is based on the following building blocks:

- Make users the focus of activities, by securely storing relevant IDs and credentials on smartphones in a digital wallet, e.g. by using the secure element of the smartphone;
- Ensure no loss of control over data: users should decide when and where they want to present their ID to which identified verifier;

3 Franziska Katerbow, Stop sign for virus: EU launches secure digital Covid certificate, 1 July 2021, https://www.telekom.com/en/company/details/stop-sign-for-virus-eu-launches-secure-digital-covid-certificate-630916.

4 European Commission, Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 910/2014 as regards establishing a framework for a European Digital Identity, 3 June 2021, COM (2021) 281 final, https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM%3A2021%3A281%3AFIN.

5 European Commission, Attitudes towards the Impact of Digitalisation on Daily Lives, December 2019, https://europa.eu/eurobarometer/surveys/detail/2228.

- Create a user-friendly solution with a real value proposition for all ages and backgrounds, which means especially attractive use cases by the public and the private sector;

There is also a clear appetite for this, as revealed by the results of a Special Eurobarometer on attitudes towards digitalisation in the EU – in which 63% of respondents thought it would be useful to have a single, secure digital ID.

- Overcome fragmentation: create an open, EU-wide ID ecosystem based on interoperable standards to allow for cross-sector and cross-border use cases, with clear rules for mutual recognition;
- Guarantee secure identity management to avoid risks like identity theft, fraud and man-in-the-middle attacks;

Existing infrastructure and standards are essential. The European telecom industry will play an important role in the development of such an EU ecosystem, helping to set standards for secure authentication and identification, when users are carrying their digital identities with their smartphones. The Mobile Connect[6] identity framework is a leading example: developed in a joint effort by the mobile industry and by several mobile operators across Europe and even worldwide, it enables effective provisioning of EU cross-border services in compliance with eID / eIDAS.

A harmonized EU ecosystem of digital identities will offer clear benefits to EU citizens: administrative efficiency, greater ease of free movement within the EU, better security and more control of their data, to name a few. In addition, it also has all the potential to become a success story for public administrations and the private sector alike, enabling various new use cases and easier customer interaction. With the accelerating speed of digital transformation, Europe needs to move fast to ensure others do not set the *de-facto* standard for use.

6 More info on: https://mobileconnect.io/identity/.

Recommendation

Create an open, EU-wide ID ecosystem based on interoperable standards to allow for cross-sector and cross-border use cases, with clear rules for mutual recognition.

FREE MOVEMENT OF

People Goods **Services** Capital

Börje Ekholm
President and CEO
Ericsson Group

ERICSSON

Power to the people

Building a European 5G Single Market.

When European Commission President Ursula von der Leyen delivered her first State of the Union Address in September 2020, she spoke compellingly about the importance of regional connectivity. At a time of unprecedented digital acceleration, she said it was unacceptable that 40% of people in rural areas still did not have access to fast broadband connections – and she promised to change that. “We want to focus our investments on secure connectivity, on the expansion of 5G, 6G and fibre,” she said.

We agree. At Ericsson, we share the belief that digital infrastructure will play a pivotal role in the recovery from the pandemic and that 5G will be central to its success. There is recognition that 5G is a must-have technology to stay relevant. The IMF has even recommended the establishment of temporary tax incentives to bring forward investment to accelerate deployment. But right now, it is hard to build that infrastructure because of EU competition policy that effectively undermines the EU’s Single Market and create fragmentation.

The result is that over 100 mobile operators are now active within the EU’s Single Market, while China and the USA have three ‘consolidated’ players on their respective ‘single markets’. Faced with such strong and agile competitors in other world regions, the fragmented nature of the EU market is not helping its performance.

A mixed picture of progress

Mobile markets have high fixed costs and in Europe these account for around 20% of revenues. The GSMA estimates that some $175 bn will be invested in Europe between 2020-2025 which is only 60% of the amount expected to be invested in North America[1]. According to ETNO, per capita telecom investment in Europe is 15% lower than in South Korea and more than half that in Japan and the USA. Over the last 15 years, average telecoms spend per capita has fallen by 16% in

1 GSM Association, The Mobile Economy Europe 2021, https://www.gsma.com/mobileeconomy/europe/.

Relevant Ecosystems:

DIGITAL

Europe, while in Korea and the USA it has increased by 19% and 24% respectively[2].

In Europe, operators need to deploy up-to-date digital infrastructure but returns on capital are often below costs, which discourages capital investments and delays build-out. In mature markets like Europe, the natural tendency is to merge to improve margins and investment. Yet in national markets where consolidation from four to three players was allowed during the last decade, all but one of the approved mergers included remedies that either created a new fourth player or

According to ETNO, over the last 15 years, average telecoms spend per capita has fallen by 16% in Europe, while in Korea and the USA it has increased by 19% and 24% respectively.

2 European Telecommunications Network Operators' Association, The State of Digital Communication 2021, 29 January 2021, https://etno.eu/library/reports/95-state-of-digi-2021.html.

curtailed the efficiencies the merger hoped to achieve. In Italy, for example, when the market consolidated from four-to-three, one condition was that the merged firm would have to give up spectrum so that a new mobile player could be created. In Ireland, a similar remedy was imposed but no firm took it, which left spectrum unused.

This is a failure of competition policy. In reviewing mergers and acquisitions from a national and consumer perspective, a vital 21st century truth is being overlooked: telecommunications are the nervous system of the Single Market's economy, so connectivity also needs to be viewed through the lens of competitiveness of the EU as a whole.

Apart from being too stringent on approving four-to-three consolidation compared to the USA and Australia, the European Commission's current methodology falls short because the timeframe of the merger assessment is not long enough to factor in dynamic efficiencies (e.g. during the 4G era, gigabit costs fell by more than 95% while data consumption increased exponentially, a trend that is set to continue with 5G). In addition, the market definition is too narrow and does not include proper consideration of over-the-top players who offer the same service but under different regulatory conditions.

Doubling down on prioritising investment

To get a sense of the impact that infrastructure investment is having, consider the enterprises it is empowering. Since 2010, China's share of tech companies ranked in the top 100 global firms by market capitalisation has trebled and the US share has almost doubled. And Europe? Over the same period, Europe's share has shrunk by three-quarters.

If the current failures of competition policy are effectively addressed in the short term,

step change 5G will be able to deliver equivalent performance to fibre solutions for suburban and rural areas. 5G Fixed Wireless Access (FWA), for example, has a cost to benefit ratio greater than 10 in rural areas because deployment can be much cheaper and quicker than alternatives. FWA is perfect to provide fast broadband to the 40% of rural people that lack access, closing the Single Market's digital divide and doing so before this Commission's term ends in 2024.

A recent report by Analysys Mason says that 5G-enabled digital transformation can drive €250 billion in benefits for just €42 billion in cost, of which €10 billion would be required from public sources.

As we look beyond 2024, attention across Europe is now focused on how to achieve a sustainable, inclusive recovery. With 5G, Europe has a chance to add €2.2 trillion to its economy by 2030 if the right policies incentivise investment. A recent report by Analysys Mason says that 5G-enabled digital transformation can drive €250 billion in benefits for just €42 billion in cost, of which €10 billion would be required from public sources[3]. Treating 5G rollout as a Single Market issue will ensure EU citizens and companies have equitable access to this transformative technology and drive an economic boost.

As other world regions read the mood music of this moment and through their competition policy, incentivise investment through consolidation, where does this leave the rollout of 5G in Europe and its rural regions, as highlighted by President von der Leyen? Put simply, pervasive 5G coverage requires competition policy to pivot so that investment incentives are maximised and private sector investment is amplified through targeted public subsidies. Taken together, these measures could efficiently establish step change 5G as the Single Market's open and inclusive innovation platform, providing gigabit connectivity quickly to wherever it is needed in the EU whilst future proofing the Single Market, ensuring it is as competitive as its regional peers.

3 Analysys Mason, Filling Europe's 5G coverage gaps, 31 March 2021, https://www.analysysmason.com/consulting-redirect/reports/filling-europes-5g-coverage-gaps/.

Recommendation

Revise EU competition policy to encourage capital investments and prevent delays in the rollout of 5G technology.

Alessandro Profumo
CEO
Leonardo

LEONARDO

The invisible shield

It's time for a European security market.

What does the word "security" mean to you? This simple, seven letter word can be broadly interpreted to embrace a wide variety of aspects including security at home, in communities, within businesses and, of course, within the borders of a country. It can refer to hardware, software and concepts beyond either of those. More than ever, the definition and relevance of the word "security" are expanding.

Security goods and services are bought for a range of purposes, from law enforcement agencies needing tools to analyse crime scenes to first responders using secure communications to provide relief in disaster areas. Organisations managing critical infrastructure require cybersecurity to ensure the continuity of essential services for individuals and industries, while citizens buy tools and education to protect themselves from fraud and misinformation.

However, despite such high demand, and the common need to keep citizens safe across the countries of the EU-27, there is presently no real Single Market for security in the European Union. While in the last 14 years the EU has funded over 700 research projects, to the tune of more than €3 billion, most security purchases ultimately have little or no connection to outcomes of this research, with decisions being taken from a national perspective, rather than a European one.

A big problem with too many small solutions

The fragmentation of Europe's security market reflects the fact that security is a politically sensitive sphere and remains one of the sovereign prerogatives of each Member State. However, this state of affairs has in some cases led to national authorities buying cheaper off-the-shelf security products from outside Europe, such as security cameras or artificial intelligence (AI) algorithms. At a time of increased geopolitical uncertainty, this is curiously at odds with the interests of the EU-27 as a bloc. By putting cost considerations first, individual nation states are not only eroding ongoing efforts by European institutions to mitigate external cyber threats, but are also undermining the potential for interoperability and growth of EU-made security systems.

Relevant Ecosystems:

AEROSPACE & DEFENCE

This fragmentation, in both public and private sectors, hampers the development of a truly European single market for security solutions that would otherwise have potential for significant scale and volume. It also hinders long-term capability planning that could lead to the research and development of common products and solutions and more strategic autonomy in the critical security sector.

The fragmentation of Europe's security market reflects the fact that security remains one of the sovereign prerogatives of each Member State. However, this state of affairs has in some cases led to national authorities buying cheaper off-the-shelf security products from outside Europe.

Mending the security patchwork: what role for the EU?

To begin mending this fragmented market, a first step could be to address the issues recognised in two recent EU Directives, the Resilience of Critical Entities (RCE) Directive, aimed at strengthening the resilience of entities providing essential services, and the Network Information Systems (NIS2) Directive, aimed at setting high common cybersecurity standards. Both Directives note that the EU was taking "inconsistent" actions and that Member States measures "diverge from one another".

This divergence can be clearly seen in the context of cybersecurity: in 2020 the European Commission estimated that greater harmonisation in the prevention of and response to cyber-incidents could save the EU's public and private actors some €11 billion over 10 years[1].

1 European Commission, Impact assessment Proposal for directive on measures for high common level of cybersecurity across the Union (NIS2)– Part 1, 16 December 2020, https://digital-strategy.ec.europa.eu/en/library/impact-assessment-proposal-directive-measures-high-common-level-cybersecurity-across-union.

In response, the cybersecurity domain is being addressed through a number of EU regulatory initiatives and concrete industrial programmes. Extending the same vigorous approach to the security sector as a whole would bring enormous benefits. In this wider sphere, the same issues the Commission had clearly identified years ago still persist, namely a *'high degree of segmentation'* afflicting *'both the supply side (splintered across many industrial sub-sectors) and the demand side (huge diversity of end-user authorities, from local to European level)'* [2]. This is why, as a second step, the EU could establish shared cooperation platforms to facilitate dialogue between EU institutions, industry and end-users.

The Broadmap Platform, which studied the evolution of secure communications for public safety and disaster relief towards 5G, helped bring down the mandatory common requirements of such networks across 16 Member States from 1500 to around 150.

A case study of such an approach bearing fruit is the Broadmap Platform, which studied the evolution of secure communications for public safety and disaster relief towards 5G. This helped bring down the mandatory common requirements of such networks across 16 Member States from 1500 to around 150, a lean number for such a complex domain. The platform also identified 20 top-level requirements for European interoperability in secure communications.

The Broadmap example shows that EU has the opportunity and the means to consolidate its patchwork of security systems. After all, in an increasingly volatile world, EU countries have shared security interests. At a time when threats to security are intensifying, when "open strategic autonomy" is the EU's stated trade strategy and competitiveness is a must – now is the moment to collaborate to build a EU single market for security.

2 European Commission (2017) 'From Research to Security Union (Report)' https://op.europa.eu/en/publication-detail/-/publication/9c7411f0-cf38-11e7-a7df-01aa75ed71a1/language-en/format-PDF.

Recommendation

Establish a shared cooperation platform to facilitate dialogue between EU institutions, industry and end-users.

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Pekka Lundmark
President and CEO
Nokia

NOKIA

Wanted: Spectrum on time

How a lack of timely and harmonised 5G spectrum assignments is undermining the Single Market and Europe's competitiveness.

5G technology creates an opportunity for a step-change in connectivity for consumers, businesses and enterprises. Industrial productivity, in particular, will benefit from high capacity, low latency and reliable 5G-enabled digitalization. However, in Europe the deployment of this state-of-the-art telecom infrastructure has been hindered by regulatory obstacles, including delays in releasing new 5G spectrum and sometimes complex, bureaucratic installation regimes. This is undermining the Single Market and slowing the EU's digital development, at a time 5G rollout is advancing apace in other trade blocs.

While the EU has stated ambitions to lead in 5G, it has fallen behind other economies in its rollout. In 2016, the European Commission published a strategic document, its 5G Action Plan, which laid out many useful ideas. These included proposals for 5G pioneer spectrum bands, the bands that are most likely to be used for initial 5G deployments in Europe.

Three pioneer bands were chosen: 700 MHz for 5G EU wide coverage (for instance along highways); 3.4-3.8 GHz for superior 5G performance (urban and densely populated areas); and 26 GHz for 5G peak performance (traffic hotspots like stadiums). The Action Plan set clear targets to the EU Member States to make these bands available by the end of 2020.

The technical harmonisation in the pan-European regulatory groups was completed on time for all three pioneer bands. However, the European 5G observatory – which monitors 5G market developments and preparatory actions taken by industry stakeholders and Member States – found that only Finland assigned and made

Relevant Ecosystems:

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available 100% of all three pioneer bands by the end of 2020, while, seven European Member States had not yet assigned any 5G spectrum[1]. Fortunately, momentum on spectrum assignments has increased in

The European 5G observatory found that only Finland assigned and made available 100% of all three pioneer bands by the end of 2020, while seven European Member States had not yet assigned any 5G spectrum.

1 European 5G observatory overview: https://5gobservatory.eu/5g-spectrum/. The source indicates 7 countries (Bulgaria, Croatia, Estonia, Lithuania, Malta, Poland, Slovenia) that did not assign pioneer bands by end 2020.

2021. At the end of June 2021, 15 EU countries had assigned 5G spectrum in the 700MHz band, 20 EU countries in the 3.4-3.8 MHz band and 5 EU countries in the 26 GHz band.

Towards the "4th Industrial Revolution"

Advancing digitalisation is critical for Europe's competitiveness, as highlighted in the European Commission's flagship Digital Compass package and the recently revised Industrial Strategy. The COVID-19 pandemic has shown the value of digitalising companies to be more

agile, highly automated and flexible. As an example, leading aircraft services provider Lufthansa Technik has recently brought Nokia 5G private wireless networking into full-time commercial deployment at its facility in Hamburg. Despite pandemic-related travel restrictions, 5G networking has enabled Lufthansa Technik to provide virtual engine parts inspection for its global civil aviation customers over fast, high-definition video links, allowing customers to remotely attend engine parts inspections and to communicate in real time with engine mechanics performing maintenance work, without the need to travel to its Hamburg facility.

While 5G spectrum assignments in Europe have finally accelerated, the initial delays in spectrum assignments and in rolling out 5G services have had a wider effect on innovation. For instance, they have had a lag effect on the introduction of new services along the entire European value chain, causing delays to companies' digitalisation.

More cooperation, better enforcement

This example provides a taste of the promise of 5G and digitalisation and suggest what the EU's "4th Industrial Revolution" could look like. But for now, the EU is falling behind in its 5G rollout, and the current, scattered services are still far from resembling a single European market in 5G.

We must learn from this. More coordination among Member States on spectrum assignments and assignment conditions and better enforcement, supported by the European Commission, would help incentivise investment. If the current divergent national approaches to spectrum policy go unaddressed, also towards the upcoming 6G technology, the EU's economy and society won't be able to timely exploit new innovations promised by the newest wireless connectivity technologies that will be vital for digital and green transitions.

Recommendation

Improve coordination among Member States on spectrum assignments and assignment conditions.

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Stéphane Richard
Chairman and CEO
Orange

A faster route to the 5G finish line

How mobile network sharing can boost the 5G rollout.

In March 2021, the European Commission announced its Digital Compass programme, with the ambition to ensure that all households across the EU should be covered by a gigabit network by 2030 and with 5G for all.

5G means between 10- and 100-times faster data rates and more devices accessing internet simultaneously. It will boost the Internet of Things (IoT), a key asset for smart factories and new innovative services. 5G will allow sustainable transport networks, with cars, trains and lorries remaining connected within and across Member States, and enhance shared mobility and smart cities. The EU connectivity targets are therefore essential to cope with the soaring demand and increase of traffic, to ensure the digital transformation of the Single Market, and to support its competitiveness globally.

A study released in March 2021 by ETNO, the European telecommunication network operators' group, found, however, that €150bn will be needed to build a full-5G Europe, while an additional €150bn is required to finish upgrading fixed infrastructure to gigabit speeds[1].

Twice €150bn are enormous investments – what can be done to make them happen?

One of the key solutions that would efficiently support these significant investments would be to encourage operators to work together through network-sharing. This would be the fastest way to the 5G finish line and for operators to satisfy the rising demand

1 European Telecommunications Network Operators' Association, Connectivity & Beyond: How Telcos Can Accelerate a Digital Future for All, 25 March 2021, https://etno.eu/library/reports/96-connectivity-and-beyond.html.

Relevant Ecosystems:

DIGITAL

for better connectivity, by relying more on voluntary radio access network (RAN) sharing agreements. Voluntary network sharing agreements have several advantages. They offer more efficiency for investments; quick and wider rollout; a positive consumer surplus; and fewer antennas, which can ease societal acceptance and reduce the environmental impact without limiting competition.

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However, there are issues getting in the way, in the form of legal and regulatory barriers.

Barriers to overcome

On the regulatory side, operators face legal uncertainty due to a fragmented and inconsistent EU policy approach to network-sharing. A new mindset is needed to assess those agreements – one that takes into account the evolution of mobile markets in the EU and meets the goals of the Digital Path just adopted by the European Commission. For example, competition authorities do not yet acknowledge that coverage is no longer the most relevant criteria for competition assessment – as it's not the main factor of differentiation between telecom operators. In all European countries the coverage obligations are now quite heavy– usually imposing network reach that covers 99% of the countries' population and a minimum of 95% of the country's territory. Differentiation today relies more on quality of service, innovation or pricing – this needs to be reflected in the way the competition authorities assess network sharing agreements.

For its part, the European Commission (EC) does not currently conduct harmonised assessments of RAN-sharing agreements. There is also a gap between the positions of regulatory and competition authorities: while the regulators encourage and sometimes even impose RAN-sharing, competition authorities do not provide enough legal security. For instance, the EC supports RAN-sharing agreements in some merger decisions (see Case COMP/M.7758 – H3G / Wind) and communications (the latest being on the Connectivity Toolbox). But at the same time, its current case-by-case approach raises concerns for the market players. For instance, it has opened an investigation into the RAN-sharing agreement in the Czech Republic in 2016 several years after its implementation, and which is still not closed in October 2021. This case is creating important risks for the parties involved, as well as consumers. Separately, in an Italian case adopted in

2020, the EC asked to limit the geographical scope of the RAN agreement – a verdict which raises concerns for the future: are those constraints only referring to the specificities of the case or should market players consider this case as creating a *de facto* rule limiting those agreements?

> **In an Italian case adopted in 2020, the EC asked to limit the geographical scope of the RAN agreement – a verdict which raises concerns for the future: are those constraints only referring to the specificities of the case or should market players consider this case as creating a *de facto* rule limiting those agreements?**

Much at stake

These decisions actively create legal uncertainty amongst market players, who are at the same time asked by the Commission to make huge investments. A more harmonised and clearer framework on RAN-sharing agreements would provide the legal certainty needed to stimulate much-needed investment.

Building that legal framework would involve two steps: first, there should be a presumption of compatibility with competition law, considering their pro-competition impact on the European digital economy. And second, provide a list of clear criteria that allows network operators entering such agreements to perform their own self-assessment – thus providing more legal certainty.

As President von der Leyen mentioned in her recent State of the Union, the energy-efficient solutions that will drive the green transition, make digital transition an integral part of the EU's net zero strategy – the EU's top priority.

More broadly, with 5G rollout already more advanced in US, China, Korea and elsewhere, this is a global race that the EU is running. The huge investments required are being encouraged at European level, but at this stage, the EU is playing catch-up. A clearer European legal framework encouraging RAN/network-sharing would be the turbo-boost the EU needs in global 5G race. By doing so, it would allow a swifter implementation of the EU digital and green transitions, thereby delivering a more resilient functioning of the European single market.

Recommendation

Consider RAN-sharing agreements compatible with competition law and formulate a list of clear criteria that allows network operators entering such agreements to perform their own self-assessment.

Frans van Houten
CEO
Royal Philips

PHILIPS

Insights, in a heartbeat

How to make the most of insight-rich health data.

Imagine this: a Dutch patient with a heart condition and conscious of the importance of exercise, is on holiday in Valencia and decides to go for a run. She's wearing a sensor patch that tracks and reports her vital signs, feeding into her electronic medical record (EMR). While she's exercising, subtle physiological variations signal a change in her condition. Her doctor's office in the Netherlands receives an alert and asks her to visit a clinic in Valencia that very day. Before she even arrives, clinicians examine her vital signs in real-time remotely, allowing them to offer faster diagnosis and more responsive treatment. All this adds up to better medical care.

This is not a scenario far into the future; it's already possible for doctors to monitor patients' vital medical signs remotely.

Unfortunately, as things stand, such innovations face barriers to being rolled out across the European Union. This is because the many different healthcare systems in operation within the EU do not all recognise one another's datasets. Put simply, there is no basic interoperability allowing devices, applications and systems to exchange and use each other's electronic information. In addition, according to recent research by Deloitte (*Digital transformation – Shaping the future of European healthcare*, September 2020), "although an increasing number of technology-enabled systems and services are used by healthcare providers, the scale of adoption and the types and capabilities of digital technologies differ widely across Europe[1]."

This is particularly problematic when it comes to connecting EMRs. Patient data is

1 Deloitte, Digital transformation - Shaping the future of European healthcare, September 2020, https://www2.deloitte.com/uk/en/pages/life-sciences-and-healthcare/articles/european-digital-health.html.

Relevant Ecosystems:

HEALTH

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often stored in disparate databases that do not and cannot connect with each other, making it difficult for health practitioners to take patient-centric decisions.

Interoperability and the benefits for EU citizens

Is the lack of interoperability such a critical issue? We believe so. It compromises patient safety. It hinders innovation in medical technology. It also wastes billions of euros

By making information centralised and accessible, hospitals and clinics do not have to spend hours mining information from disjointed, complicated and varying technologies and locations, or rely on the patient knowing this information.

a year due to, for example, failure of care delivery and coordination, overtreatment and administrative complexity.

At Philips, we recently launched the HealthSuite Informatics Platform, an integrated, modular set of standards-based capabilities that support the development of digital health propositions. In contrast to many 'systems of record', which are typically based on static, siloed files of patient information, HealthSuite enables patients and all the staff they interact with to better manage the care experience and pathways. It enables clinical and operational data to be federated and shared across systems and solutions from Philips and third parties within the healthcare enterprise, in a secure cloud environment, linking consumer and medical devices safely and reliably. We are proud of this technology, but to fulfill its potential, EU healthcare systems must be able to 'talk' to one another.

This kind of interoperability can have a transformative effect, allowing systems to deliver the right information at the right time, in the right context. By making information centralised and accessible, hospitals and clinics do not have to spend hours mining information from disjointed, complicated and varying technologies and locations, or rely on the patient knowing this information. They can focus on more meaningful patient care interactions, conversations and treatment plans. This would contribute to more accurate and timely clinical decisions, improve clinical workflows and reduce operational complexity – all while lowering costs.

And there is a growing appetite for greater interoperability. The results of a Special Eurobarometer survey on attitudes to digitalisation (December 2019) revealed that 43% of the respondents would be willing to share some personal information securely to improve medical research and care[2]. This percentage has likely increased against the backdrop of the pandemic.

2 European Commission, Attitudes towards the Impact of Digitalisation on Daily Lives, December 2019, https://europa.eu/eurobarometer/surveys/detail/2228.

To seize the opportunities greater interoperability would bring, a Single Market approach needs to be embraced. In real terms, the technology and the regulation around it have to be built to support patient needs and lifestyles. The way to deliver on this is through the creation of a 'health data space'. This will deliver many benefits, such as better coordinated, data-driven care, as well as deeper insights, because when this type of data is shared it unlocks the potential of big data and digital medicine.

Significant investments in health are expected in the immediate years ahead, so the opportunity to build-in interoperability is now.

Time is of the essence

COVID-19 has put a renewed emphasis on the importance of efficient, well-resourced healthcare. Significant investments in health are expected in the immediate years ahead, so the opportunity to build-in interoperability is now.

With this in mind, as part of the next wave of Single Market innovation, the EU should promote the use of standards and data exchange models to allow information to be shared between healthcare providers, professionals, patients, hospitals, pharmacies, laboratories and others, regardless of the application being used.

As technology advances further in the years to come, the sharing of patient data between medical devices and information systems can drive more seamless care and better health outcomes. For this reason, devices need to be able to seamlessly 'communicate', especially at a time when the Internet of Things can enable connected care across settings, supporting the goals of the Quadruple Aim – better health outcomes, improved patient and staff experience, and lower cost of care.

If we are to make the most of digital medicine – and the actionable insights it holds – then data should be available in formats that can be shared effortlessly, transparently and above all securely, within and between hospital systems, in the home, or on the move.

Recommendation

Create an EU 'health data space' that promotes the use of standards and data exchange models to allow information to be shared between healthcare providers, professionals, patients, hospitals, pharmacies, laboratories and others, regardless of the application being used.

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Christian Klein
CEO
SAP

Cloud atlas

Why the EU needs a Single Market for cloud computing.

Cloud computing has not only changed the way data is stored and used, but also transformed people's expectations of how accessible data and services should be. It uses online services to, for example, store, manage, and process files on a common system, making it possible to access these functions from anywhere. When we check our e-mails, stream movies, or listen to music, we are usually using a cloud service.

Cloud computing is beneficial to companies in many ways: it allows them to save money on storage, physical servers, and management services, as well as improving operational flexibility and ease of use for users. This in turn saves employees' time. It therefore comes as no surprise that demand for cloud computing is growing every year, with forecasts predicting that the global market will reach €260 billion in 2021, an increase of 13% over 2020.

Despite the obvious benefits of cloud, Europe lags behind other regions in developing and using this technology. One reason for this is that there is no Single Market for cloud computing in the European Union.

A fragmented market dominated by the hyperscalers

In a market dominated by non-European cloud providers, the so-called *hyperscalers*, many European businesses and public sector authorities are still hesitant about adopting cloud computing. They have concerns around topics such as data security, data sovereignty, General Data Protection Regulation (GDPR) compliance, and corporate espionage.

To address these challenges, individual EU member countries have announced or adopted requirements that are specific to their national markets. For a taster of the fragmentation that this is creating, consider the certification requirements now in place in some EU member countries: Germany requires C5, France requires Secnumcloud, and Spain requires ENS – and that's just the certifications.

Relevant Ecosystems:

DIGITAL

When it comes to public procurement policy, each country defines contract terms that are non-negotiable. In the Netherlands, for example, bids often contain clauses requiring all bidders, regardless of size, to prove they are signed up to an escrow service. Moreover, many public agencies in the EU require data to be hosted in their home country, despite the fact that EU law allows and promotes the free flow of data within the EU. These national data localisation requirements add to market fragmentation and limit the ability of cloud providers to offer scalable solutions within the EU.

In a market dominated by non-European cloud providers, individual EU member countries have announced or adopted requirements that are specific to their national markets.

While there are arguments to justify this approach, it has effectively fractured the European market in this important, emerging area. With operating-at-scale a key success factor, this level of fragmentation impedes our progress.

For the cloud providers, the costs of hosting, maintenance, and audits run in the millions of euros per solution, per market, and per year. Deployment and certification adjustments at a national level can become multi-year projects. Against such a disjointed European backdrop and amplified by the fact that there are very few European cloud providers, only the largest, mainly the non-European, cloud providers (and specialised local editors) can fulfil the different requirements of each member country.

The absence of a functional EU Single Market for cloud computing deprives European customers of the benefits that come with a vibrant and competitive market.

A Single Market for cloud computing would be a boost to smaller European cloud providers and start-ups, helping them to quickly reach a critical mass of customers across Europe.

“If you build it…”

To build this Single Market successfully, a multi-faceted approach is needed.

To get all the players on the same page, consensus would need to be achieved through the recently launched European Alliance for Industrial Data and Cloud, composed of EU Member States, European industry players, and other stakeholders.

It would also involve replacing individual state cloud certification schemes with a single, EU-wide label such as the European Cybersecurity Scheme for Cloud Services (EUCS) that is currently being developed by ENISA, the EU agency for cybersecurity. This would enable providers to fully implement, conform to and be certified for a comprehensive framework rather than having to comply with multiple rules from multiple countries.

The European Commission has proposed an EU Cloud Rulebook to address user concerns and establish EU-wide common rules for cloud computing, including areas such as data security, data privacy, data portability, and energy efficiency. This rulebook could serve as the backbone of public procurement across Europe and take account of the standards and rules developed by GAIA-X.

A Single Market for cloud computing could also legitimately be counted among the planned Important Projects of Common European Interest (IPCEI). This would mobilise significant public and private investments for the development of a next-generation cloud supply that meets European standards and values and could complement the offerings of the hyperscalers.

Against a backdrop of dominant non-European tech companies and accelerating digital transformation across all industries and regions, now is clearly the time to introduce a Single Market for cloud computing. It would lay the foundation for a competitive European cloud computing industry, which would, in turn, lead to more assured choices and better services for European citizens and businesses.

The absence of a functional EU Single Market for cloud computing deprives European customers of the benefits that come with a vibrant and competitive market.

Recommendation

Replace individual state cloud certification schemes with a single, EU-wide label such as the European Cybersecurity Scheme for Cloud Services (EUCS) that is currently being developed by ENISA.

Paulo Azevedo
Chairman
Sonae

What loyalty brings

Restricting contractual norms could undermine the EU's digital transition.

Chaos theory tells us that small changes can have huge implications in complex systems. The so-called butterfly effect is hard to predict, but we could be witnessing chaos theory in action when it comes to the European Union's digital transition. Seemingly minor national provisions in the contracts between customers and operators are threatening the grand ambitions to ensure every EU household has 5G coverage and gigabit connectivity by 2030.

The connection between customer contracts and the rollout of fibre networks and 5G might not be obvious at first sight. It comes down to the way operators offset the massive investments in the infrastructure needed for the digital transition, which the European Telecommunications Network Operators' Association (ETNO) says will add up to €300 billion by 2027. With such enormous numbers in play, operators are keen to minimise the investment risk by having a stable customer base.

The loyalty provisions in customer contracts are a crucial part of this. They cover the minimum length of the contract, customer benefits like discounts and upgrades, and the penalties incurred by customers if they are cancelled. In an already ultra-competitive environment, these loyalty provisions help balance investment uncertainty for operators with affordability and service to end-users. In the case of Portugal, the possibility of such provisions being eliminated, or in some way weakened, will effectively hamper SONAE's ability (through its telecoms arm – NOS) to complete its roll out plan of a nationwide fibre network. This has direct negative repercussions on 5G connectivity and on its related ecosystem, as well as on the affordability to Portuguese consumers and enterprises of advanced communications services.

Of Codes & Contracts

However, some EU Member States have imposed restrictions that run against the spirit of the EU's single market, and in particular the 2018 European Electronic Communications Code (EECC), which

Relevant Ecosystems:

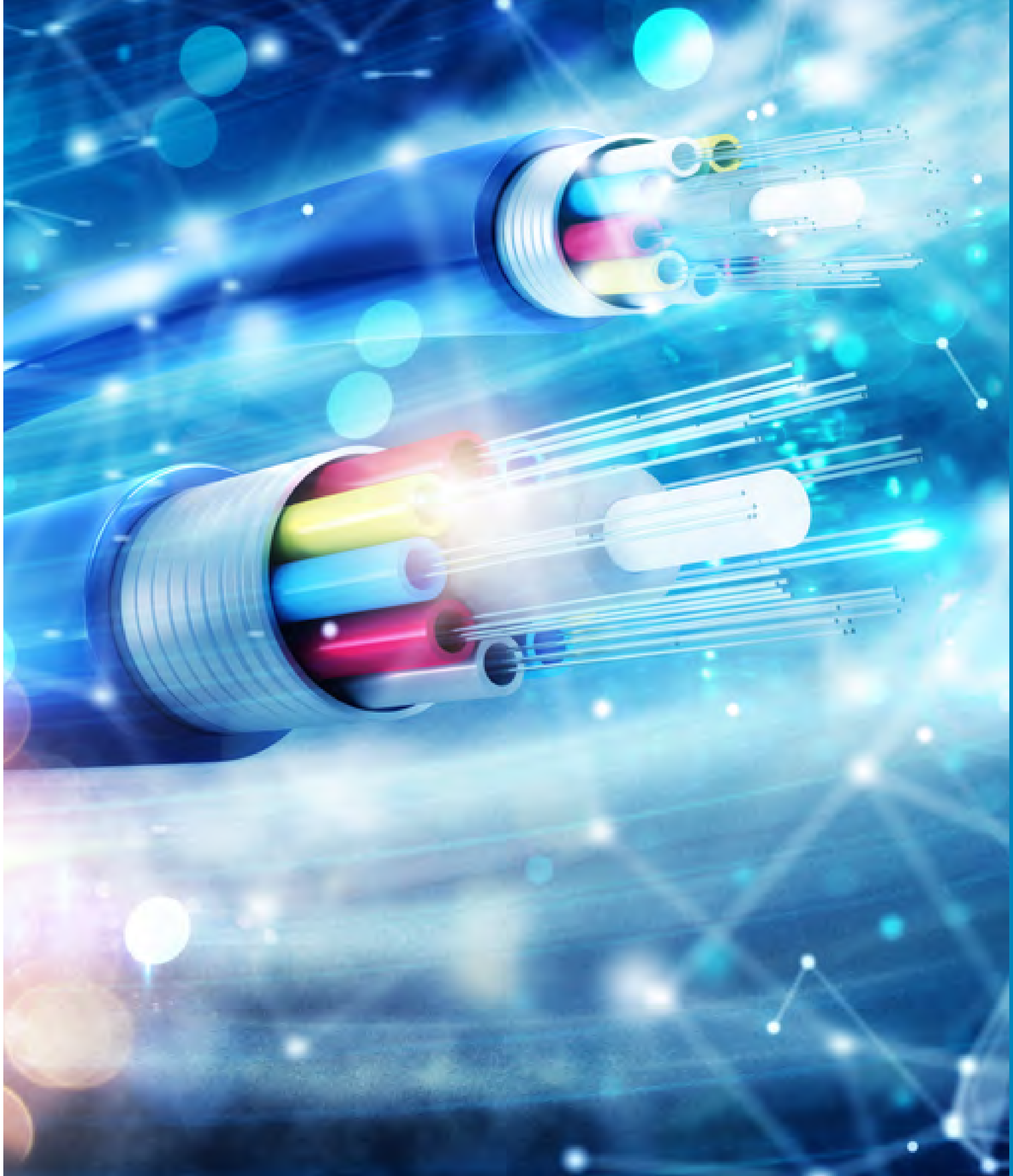
DIGITAL

RETAIL

regulates networks and services, and includes provisions for contract loyalty clauses. Notably, Belgium, France and the Czech Republic limit penalties operators may set in case of breach of contract.

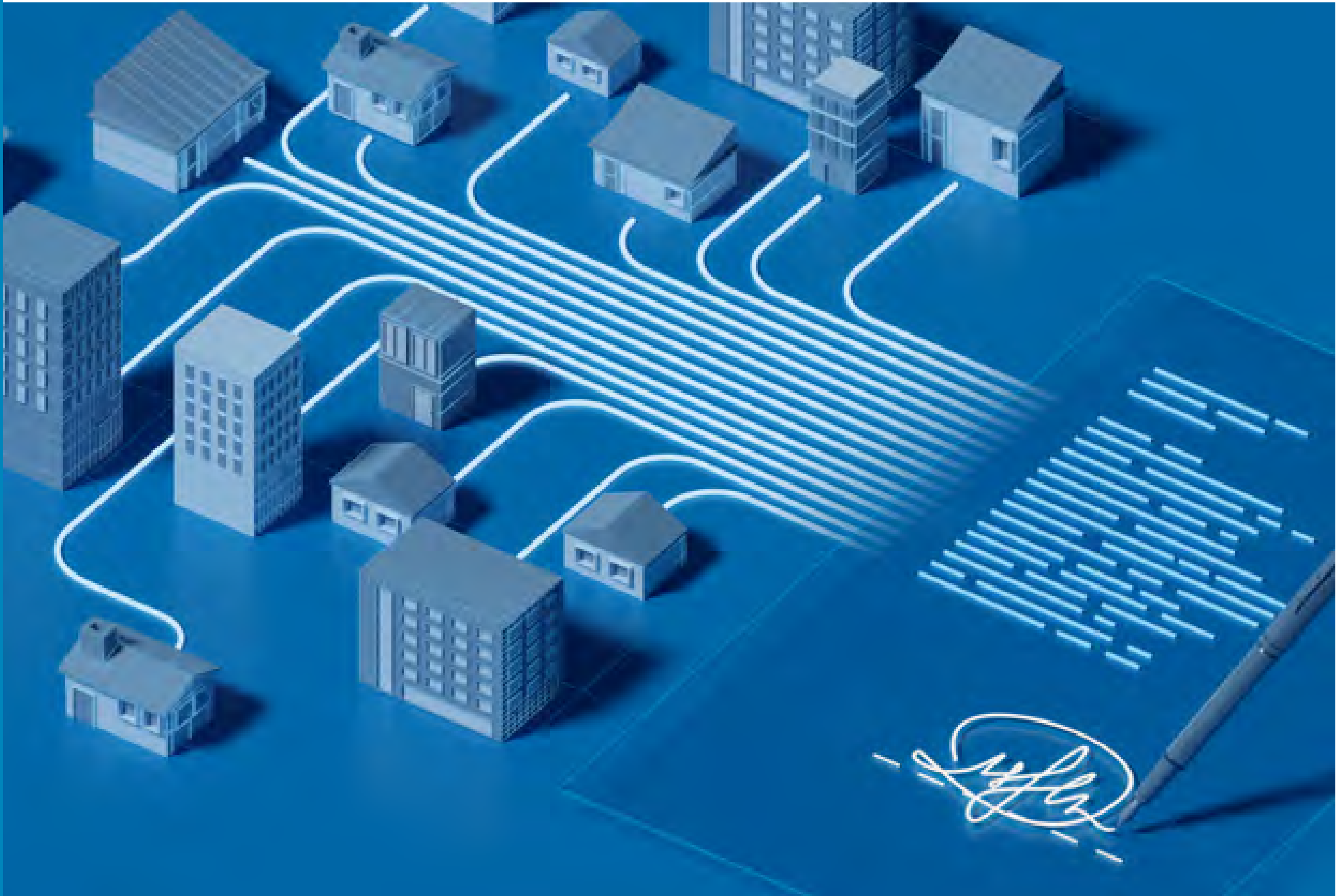
In Belgium, for example, while loyalty contracts are possible up until 24 months, the cancellation penalty only applies if the consumer leaves up until the first six months. After that, no penalty is possible. This effectively means the loyalty periods

In Belgium, for example, while loyalty contracts are possible up until 24 months, the cancellation penalty only applies if the consumer leaves up until the first six months. After that, no penalty is possible. This effectively means the loyalty periods only last for six months.



only last for six months. In Portugal, one of the leading countries in deployment of fiber-to-the-home, under the new law that will transpose the EECC, proposals from the national regulator are being considered that severely restrict renewals of loyalty periods and the level of penalties in case of contract cancellation. These would jeopardise the investments that have already been made and signal that most of the business risk will be passed over to operators.

These legal nuances in national regimes do not just undermine the EU's Single Market. They also hamper the business case of operators – and the EU's investment and connectivity goals. Indeed, EU data shows that the Belgian, French and Czech regimes have not served their countries well. Indeed, operators in these countries are lagging behind in fiber deployment. The most recent figures show Belgium only had around 6.51% of homes covered with fiber networks, the Czech Republic 33.3%[1] and only France was able to surpass the 50% mark. Portugal, by contrast, has over 87.2%[2].



This imbalance is even more brutally felt in rural areas: only 6.36% of Czech rural households, 0.384% of Belgian rural households and 18,4% of French rural households are covered by a fiber[3] network, whereas in Portugal more than 50%[4] of these rural homes have a FTTH network available.

1 European Commission, Digital Scoreboard, 2020 (fibre to the home coverage in June 2020).

2 ANACOM's data for 1st quarter 2021. Data for Belgium and Czech Republic is only available for June 2020. Portuguese coverage at this date was 82,3%.

3 European Commission, Digital Scoreboard, 2020 (fibre to the home coverage in June 2020).

4 Ibidem.

Stimulating investment without losing consumer choice

Loyalty conditions are a way to ensure increased connectivity with real take-up from consumers. Each operator offers a variety of packages that allow consumers to choose the combination of price and contractual duration that is best suited to them. Customer choice is empowered by information that must be clear, simple and timely, and thanks to the new European Code, there are specific measures that lay down operator duties on information to the customer throughout the contract lifecycle.

Loyalty conditions are a way to ensure increased connectivity with real take-up from consumers. However, restrictions on the effectiveness of customer loyalty contracts ultimately risk promoting lower quality of service.

However, restrictions on the effectiveness of customer loyalty contracts ultimately risk promoting lower quality of service. As the data on connectivity above shows, it leads to less investment and lower network quality and fragments the EU's Single Market.

This is about finding the right balance in the contracts between protecting consumer rights and allowing operators to define basic commercial terms. By restricting commercial flexibility, national governments are hampering private investment and service quality. Ironically, this short-term focus on consumer rights will hurt consumers in the medium and long term, putting Europe's 2030 connectivity goals in jeopardy.

In this sense, we believe that the European Commission should directly address and tackle these differences of interpretation that risk further fragmentation of the internal market and jeopardize the achievement of the objectives set out for Europe's Digital Decade.

Thus, we call the European Commission to publish policy guidance's' to national regulatory authorities, and governments, on the risks of further limiting the effectiveness of loyalty clauses, of electronic communications contracts, in recouping the direct setup costs incurred by operators when providing access to next generation services to customers.

Recommendation

Remind regulators and policymakers that restrictions on the effectiveness of customer contracts ultimately risk promoting lower investment in innovation.

Jean-François van Boxmeer
Chairman
Vodafone

Hung up

The fractured market for mobile radio spectrum threatens the digital transition.

As we look towards the post-pandemic recovery, we have a unique opportunity to supercharge the European Union's ongoing digital transition. There is a lot at stake. According to the European Commission's own estimates, new digital technologies could add an extra €2.2 trillion to EU GDP by 2030[1]. And while this digital transformation can bring obvious economic benefits, it could also drive the green transition, connect disadvantaged communities and improve essential services like education and healthcare.

However, the hopes of a next-generation, 5G future – with super-fast mobile speeds, improved network performance, high-capacity and lower costs – are on hold for the moment. The rollout of 5G radio spectrum is stuttering and fragmented – which has in turn had an impact on the roll-out of 5G commercial services. Europe's telecom operators are lagging behind rivals in the US and Asia amid challenging market dynamics and an adverse investment climate. One of the key reasons for this is the variety of ways that EU Member States are awarding mobile spectrum licences.

Radio spectrum licences should be a classic example of the EU Single Market's value. However, while state-of-the-art 5G services might be launched in one country, their neighbours could still be relying on 4G – and might not even have begun the spectrum auctions – making it more challenging to develop any harmonised, compelling cross-border arrangements. This is because at the moment, there is no effective synchronised schedule for radio frequency spectrum auctions across the EU, and no common system for awarding licenses.

Varying speed, differing rules

In some Member States, regulators have unintentionally undermined investment

1 European Commission, Commission publishes analysis on macro-economic potential of digital transformation by independent consultant, 22 September 2020, https://digital-strategy.ec.europa.eu/en/news/commission-publishes-analysis-macro-economic-potential-digital-transformation-independent.

Relevant Ecosystems:

DIGITAL

by only giving preferential conditions to new entrants for spectrum reservations, national roaming obligations and rollout obligations. That means new operators have no incentive to build nationwide networks.

In some Member States, regulators have focused on encouraging additional mobile players into the market – through reserving spectrum on preferential terms, mandating wholesale access to existing players' nationwide networks and giving new entrants very limited roll-out obligations. This has disadvantaged existing network operators, increased their spectrum costs, fragmented the market, and resulted in

At the moment, there is no effective synchronised schedule for radio frequency spectrum auctions across the EU, and no common system for awarding licenses.

sub-scale infrastructure. Together, these act as a disincentive for investors.

For example, in Portugal established mobile network operators (MNOs) face obligations requiring them to cover 95% of the population of the country, motorways and some railways by 2025. By contrast, new entrants are only expected to cover 25% of motorways and some railways by this period, and only 50% population coverage within six years, the latter at a lower speed than for incumbents acquiring 700 MHz. These efforts to increase retail competition undermine established players, who are obliged to make more onerous nationwide investments while facing increased competition from new entrants with a much lower cost base.

These market circumstances depress telecoms market valuations and impede investment. As with any business sector, investors seek certainty. Conflicting regulatory environments and unpredictable market structures disincentivise investors from making the multi-billion euro capital investments needed to deliver world-class mobile networks. This is having the effect of causing Europe's digital 5G infrastructure to fall further behind other regions of the world, such as the US and Asia, where high-speed 5G services using mid-band spectrum are now being rolled out much more widely.

As a result, European cross-border services are also held back. A lack of spectrum harmonisation – both on availability of frequencies and on quality of service requirements – can also undermine innovative, cross-border use-cases such as 5G transport corridors.

The launch of 5G-connected driving services on major motorways that run across borders, which are central to Europe's Connecting Europe Facility (CEF2) Digital vision. If only one country has 5G transport corridors, the Single Market element of the link is cut. And that is happening.

Connection with the Connecting Europe Facility

Let's take just one example: the launch of 5G-connected driving services on major motorways that run across borders, which are central to Europe's Connecting Europe Facility (CEF2) Digital vision. If only one country has 5G transport corridors, the Single Market element of the link is cut. And that is happening.

Some countries, such as Germany, have introduced coverage and minimum service levels, such as required speed and latency, for 5G networks along road networks: operators must provide 100 Mbit/s per antenna sector until the end of 2022, with 10ms latency. But neighbouring Member States that could be part of a potential EU transport corridor do not have these strict requirements, having prioritised an alternative set of obligations in their licensing approaches. This discrepancy creates obstacles for links.

Best practices for a timely roll-out of 5G and fast broadband should be implemented in a consistent way across all Member States so that the costs of deploying electronic communications networks are reduced. Reliable digital connectivity at high speeds could open new prospects for utilities, transport, healthcare and smart cities, putting Europe back in the 5G race.

Innovative products and services today depend on high-speed and secure connectivity. We all need to work together– industry, governments, policymakers – to invest in Europe's digital future to create jobs and growth opportunities. And we need to roll out 5G spectrum across the EU so that Europe can generate a digital dividend for current and future generations.

Recommendation

Introduce a synchronised schedule for radio frequency spectrum auctions across the EU and a common system for awarding licenses.

José María Álvarez-Pallete
Chairman and CEO
Telefonica

A single market for privacy

Europe needs a level-playing field for privacy and data protection.

One of the most important lessons from the Covid-19 crisis is that connectivity is now fundamental for our economic and social activities. High-capacity networks like fibre and 5G are an essential precondition to digital transformation. The investment challenge for fibre and 5G rollout is daunting, and operators are looking at combined outlays of hundreds of billions of euros.

The EU is already far behind the US and Asia: 5G networks in the EU reached less than 25% of the population in Q3 2020, while in the USA 76% of the population is already covered by 5G and 93% in South Korea.

So, what can Europe do to attract more private investment for fibre and 5G? One way is by setting rules to become a true digital Single Market that includes creating a fair and harmonised data protection regime.

Building on the success of GDPR

The General Data Protection Regulation (GDPR), the global gold standard for data protection and privacy, came into force in May 2018. It created enforceable rights for data usage for Europeans and became a global reference point for data protection. It is a regulation that Europe can be proud of as a guide to its transition to a value-based data economy.

Unfortunately, it has not fulfilled one of its key promises for business: to create a harmonised data protection regime and level-playing-field across the EU for business. Data protection authorities in the EU Member States interpret various provisions of the GDPR differently. This undermines the Single Market, hampers innovation and creates problems for companies operating in more than one member state. In the first Evaluation Report on the application of GDPR

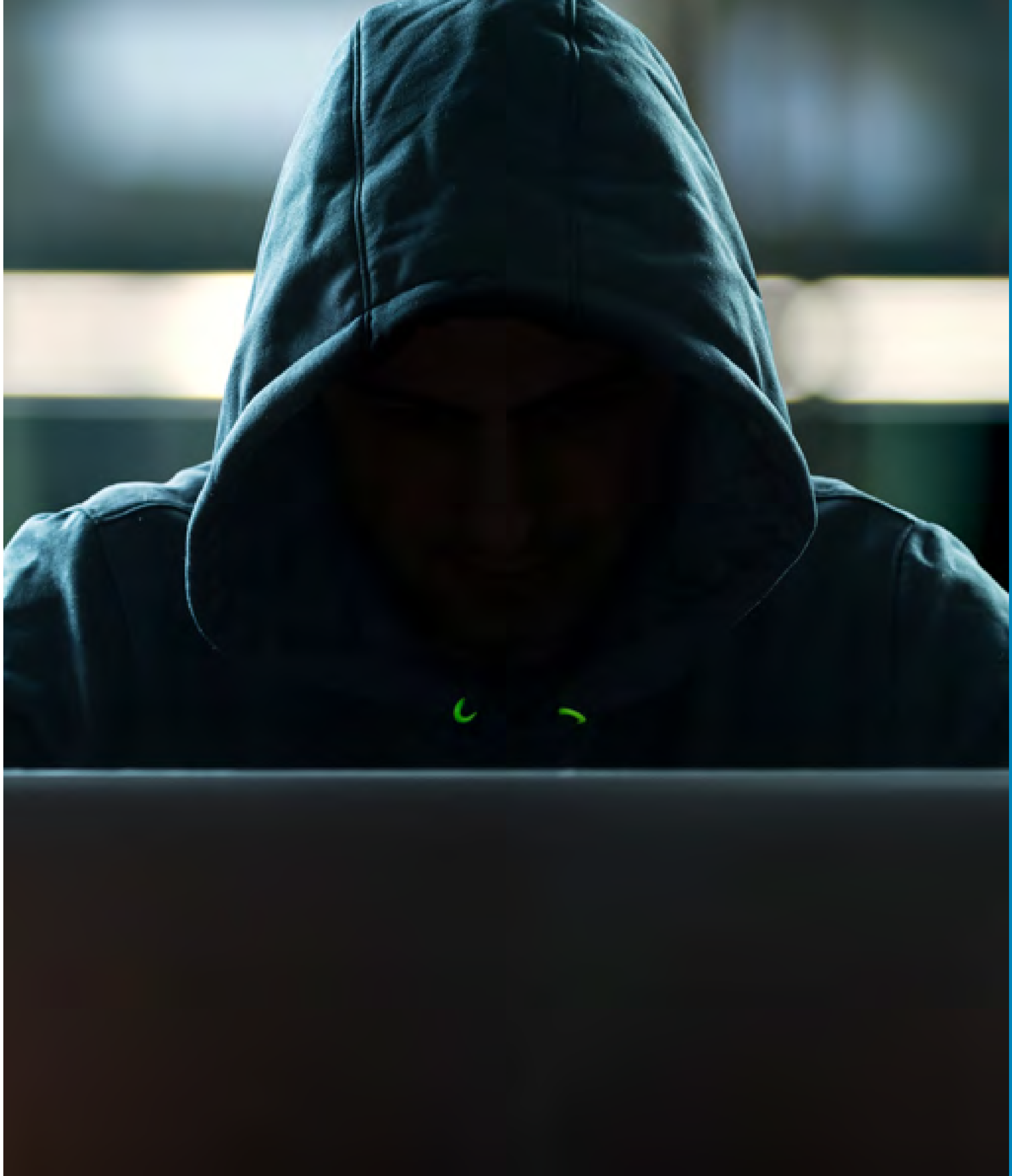
Relevant Ecosystems:

DIGITAL

published in June 2020, the European Commission itself recognised that still a degree of fragmentation exists and “creates challenges to conducting cross-border business, innovation, in particular as regards new technological developments and cybersecurity solutions”[1].

The EU is already far behind the US and Asia: 5G networks in the EU reached less than 25% of the population in Q3 2020, while in the USA 76% of the population is already covered by 5G and 93% in South Korea.

1 European Commission, Data protection as a pillar of citizens' empowerment and the EU's approach to the digital transition – two years of application of the General Data Protection Regulation, 24 June 2020, COM (2020)264 final, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0264.



Added to this, to date there has been a lack of consistency in the way EU Member States are enforcing the rules, as evidenced by the wide disparities in fines. For example, while the Spanish authority has issued 212 fines to companies over GDPR, the Swedish authority has enforced fines in just 17 cases. The figures in fines also vary, from €76m in Italy to €1.8m in Poland. Against the backdrop of an accelerating digital transformation, these differences are creating legal uncertainty for companies and they undermine the Single Market.

The case for European data spaces

There are also sectoral areas where the GDPR provisions are unclear, mainly health and finance. The acceleration in the use of digital technologies is creating huge volumes of data, so when it comes to building European data spaces, it is especially important that they are founded on a harmonised implementation and interpretation of GDPR – one that empowers the free movement of data across the EU.

In this regard, some of the opinions of the European Data Protection Board – the independent body set up ensure consistent application of the GDPR – depart from the text and the spirit of the legislation. They focus instead on a narrow and static interpretation of its provisions like the guidelines on data portability, the guidelines on contractual necessity as a legal basis for data processing, or the guidelines on privacy and connected cars.

Last, but by no means least, the promise of generating a harmonised regime through GDPR has been eroded over the past four years, as the European Commission has pushed divergent sector-specific rules with its proposed ePrivacy Regulation. This draft legislation departs from the GDPR by imposing stricter requirements for data processing provisions. It confuses consumers and creates unfair conditions across the Single Market.

How to move forward

For all its success as a global standard, GDPR can be improved upon. In simple terms, we need to avoid any situation in which the same data would be subject to different rules depending on who is processing them, or ePrivacy rules imposing stricter obligations on providers of communications services than GDPR on other entities.

GDPR cannot achieve its full potential if it runs in parallel to outdated ePrivacy sectoral rules and static interpretations of privacy. In his comparative analysis of ePrivacy Regulation and GDPR, Prof. Zwenne from Leiden University concluded that “it is

unclear what the added value of ePrivacy Regulation is, either in terms of enhancing data protection rights or supporting the free movement of data and services"[2].

The problem is that the current draft ePrivacy regulation would not improve the situation of European consumers but just generate new regulatory hurdles for network operators. That is why the ePrivacy Regulation proposal should be withdrawn and replaced with one focused on creating a harmonised regime – one that can create the same high standards of privacy for all businesses operating in the EU Single Market.

For all its success as a global standard, GDPR can be improved upon. GDPR cannot achieve its full potential if it runs in parallel to outdated ePrivacy sectoral rules and static interpretations of privacy.

Confidentiality

The next layer of data protection rules should focus on the confidentiality of communications. At a time of unprecedented cyber-criminality, with ransomware and malware becoming increasing common, consumers needs to be reassured that they can place their trust in the digital ecosystem. But it should also ensure flexibility for providers of electronic communications services to use metadata responsibly for the benefit of consumers and innovation.

This is about protecting privacy while providing enough data access and use, to build a bridge to innovation, growth and investments in the digital economy. If regulation creates overly restrictive and divergent rules for EU telecom operators, it will ultimately jeopardise future growth. That will impact investments in infrastructure like fibre and 5G – and all without benefiting the privacy of Europeans.

A level playing field in privacy and data protection can protect EU citizens for the next wave of innovation, while also giving European businesses the possibility to invest, compete and create a value-based, sovereign data economy. That would create a real single market in privacy.

2 Brinkhof Advocaten, EPR vis-à-vis GDPR: A comparative analysis of the ePrivacy Regulation and the General Data Protection Regulation, 19 July 2018, https://www.informationpolicycentre.com/uploads/5/7/1/0/57104281/cipl-brinkhof_epr_study.pdf.

Recommendation

Withdraw the current ePrivacy Regulation proposal and replace it with a harmonised regime focused on protecting the confidentiality of communications.

Jacob Wallenberg
Chairman
Investor AB

investor

An efficient capital market

With a bolder approach, the Single Market could empower more cross-border investment.

Swedish holidaymakers are fond of Spain. Many Swedes even buy holiday homes there. However, for now, they are far less ready to put their money in Spanish shares.

The reason is not Spanish companies but Europe's fragmented capital markets. The EU lacks efficient financial ecosystems. There are too few cross-border activities. This makes competition less intense, puts a brake on productivity and risks making us fat cats. Thus, the EU must create a more dynamic and single European capital market, to meet fierce competition from the USA and China.

Strong capital markets matter

The Single Market is incomplete. It is still patchy, in particular for services and for the financial sector. This is an urgent problem now that we need to move out of the pandemic and lay the foundation for a more efficient, greener and modern Europe.

To move in that direction investments are needed. In infrastructure, in technology, in more resilient value chains. For such investments we need capital and a functioning capital market that can allocate capital in an efficient way. But we don't have that. On the contrary, the European Union's capital markets are fragmented. There are too few cross-border activities. Thus, we suffer from lack of scale and from beneficial influences and positive externalities of capital investments across European borders.

Access to different forms of credit is a prerequisite for an economic recovery after a recession. The EU's debt crisis a decade ago contributed to a shortage of credit. Banks and financial institutions started to retreat within their original national borders. This is one reason behind the euro area´s slow economic recovery compared to other regions. Europe

Relevant Ecosystems:

BANKING & FINANCE

RETAIL

was simply not equipped to cater for European companies' investment needs.

To fuel the European post pandemic recovery, a well-functioning and stable supply of credits will be vital. This challenge cannot be met by the banking system alone but must be supplemented by strong and efficient capital markets. That means equity, both private and

The European Union's capital markets are fragmented. There are too few cross-border activities. Thus, we suffer from lack of scale and from beneficial influences and positive externalities of capital investments across European borders.

public. It means vibrant bond markets, and it means innovations in finance.

We all know that the existing capital markets unions in the US and China have benefitted them enormously. In the US, nation-wide stock markets and private equity have funded the rapid rise of a world-leading global industry. And in China, the huge pool of cheap capital has flowed into immense investments in a new digital infrastructure. For better or worse.

I see future risks in this state of play. European companies depend on bank lending much more than American businesses. But bank loans are not always available to everyone or everywhere. If businesses cannot tap large capital markets – larger than those in our respective small nations – it hampers their growth prospects. Capital is needed at all levels, from seed funding to IPOs. Even after an IPO, a company may need to tap the market, not least during crises like the current pandemic.

In an ideal world, companies should be able to seek and raise capital anywhere in the EU's single market. Underdeveloped European capital markets handicap the financing of European companies and sometimes prompt innovative European growth companies to seek finance outside of Europe – and in the worst case leave the EU altogether. The risk is that conservative banks mainly benefit existing, old companies – and thus protects an economy of fat cats.

I draw the conclusion that the deficiencies in the European capital market are a lethal threat to the prosperity of Europeans. In particular in these times of great power rivalry, when ability to expand and upscale matters more than ever before, both America and China are weaponising their own capital markets.

The need for speed

The challenges in developing capital markets differ from one EU Member State to the next. In some cases, size is the problem, in some cases lack of competition, in other too much regulation or an old-fashioned national tax system. Consequently, we need to push for a more inclusive equity culture for retail investors in many countries, remedying weak financial ecosystems to support SME companies, divergent national legislation, complex taxes, debt bias in corporate taxation, as well as different non-bank insolvency laws.

The EU is starting to take action to address some of these areas, notably with the Capital Markets Union. However, the combined effects of the coronavirus pandemic, Brexit and the green transition have been that the CMU project has stalled. This is unfortunate. If anything, the crises mean that the capital markets union needs to happen faster, in order to strengthen the EU's competitive position. The urgency of the situation is driving calls for increased stakeholder dialogue and collaboration across the financial ecosystem. That is good! We need to address the needs of companies seeking capital as well as investor expectations, market incentives and marketplace adaptations.

We need an environment where capital markets can finance the companies that build tomorrow's economy. That is urgent. It is the pre-eminent task. Retail investment in listed companies has a role to play here. The EU needs to foster an equity culture, which connects retail investors with listed companies with growth potential. That way, the investors also get rewarded when investments are successful.

The deficiencies in the European capital market are a lethal threat to the prosperity of Europeans, particularly in these times of great power rivalry, when ability to expand and upscale matters more than ever before, both America and China are weaponising their own capital markets.

Unfortunately, this will not happen overnight. It will require actions on both EU and national level, such as investment tax breaks, a pension structure that encourages own allocation choice, the presence of online retail brokers and building a culture of greater financial literacy. As a starting point, employee shareholder schemes should be encouraged. Stock options have been quite effective in the US and could be utilised more – also in Europe.

Digitalisation will support the flow of information, thereby increasing cross-border investment and activity within the Single Market. Online banking and asset management, including pension capital management, are already adapting to the latest technology. Payment options such as Swish, iZettle and Klarna are now household services in my native country, Sweden. Other digitalised services are emerging, but uptake is still relatively slow in many EU countries. The single digital identity proposed by the European Commission this summer will be key to speed up the uptake of digitalised financial services.

Europe's economic recovery will depend heavily on how well our capital markets function. It will depend on whether people and businesses can access investment opportunities and market financing. Massive investments will be needed to make the EU economy more sustainable, digital, inclusive and resilient. A truly common European capital market and much more of a pan-European infrastructure could make it happen – and even spur Swedes to invest in Spanish and other companies across the EU.

Recommendation

Speed up the rollout of the EU's Capital Markets Union (CMU) initiative and boost the EU's digitalisation plans and ongoing efforts to create a joint sustainability framework for companies.

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Campaigning for the creation of the European Single Market was the original *raison d'être* of the European Round Table for Industry when it was first established in 1983 – a development that would ultimately regenerate economic and social progress for EU citizens and help European businesses succeed at a time of rapidly expanding globalisation.

Over the past three decades, the free movement of people, goods, services and capital at the heart of the EU Single Market have made it a transformative force for prosperity and a more cohesive political and economic entity. However, the changing geopolitical context, the emergence of new technologies and societal needs and norms mean it's now time to revisit the governance of the Single Market. It can be revised to be fit-for-purpose and in step with the green and digital transitions. In this publication, 30 Members of ERT outline market-related issues experienced by the companies they lead. Their *Single Market Stories* are complemented by analysis and recommendations to enhance the Single Market and solidify the EU's competitiveness on the world stage.

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