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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE EVALUATION of the REFIT Review of Regulation EC 733/2002 establishing the “.eu” top-level domain (TLD) and Regulation EC 874/2004 laying down public policy rules concerning the implementation and functions of the .eu TLD

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council on the implementation and functioning of the .eu Top Level Domain name and repealing Regulation (EC) No 733/2002 and Commission Regulation (EC) No 874/2004

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The .eu Top Level Domain (TLD) was established in 2006 by Regulation (EC) No 733/2002 of the European Parliament and of the Council of 22 April 2002 on the implementation of the .eu Top Level Domain and by Regulation (EC) No 874/2004 of 28 April 2004 laying down public policy rules, concerning the implementation and functions of the .eu TLD and the principles governing the registration of domain names. The .eu TLD enables European businesses and citizens to participate in e-commerce and to enhance participation in the online single market while contributing to the creation of a European Internet identity.

In the context of the 2017 Commission Work Programme, the Commission has initiated the revision and modernisation of the .eu Regulations under the Regulatory Fitness and Performance Programme (REFIT). This REFIT exercise assessed whether the .eu legal framework still serves its purpose. Much has changed in the market and regulatory environment since the .eu Regulations were first adopted. In 2002, less than 10% of the world's population was online; by 2017, almost half the world is connected to the Internet. Social media platforms did not exist, nor did smart phones. The domain name market was transformed since 2013 with the introduction of more than 1300 new generic Top Level Domains (gTLDs) – providing EU consumers with extended choice and new business models into the domain name industry. The EU regulatory environment has also evolved to take account of the digital revolution, with major legislative programmes and strategies such as the Digital Single Market, and the recognition that security risks associated with the online environment pose critical threats to economic and social well-being.

In conducting this evaluation of the .eu regulatory intervention, the Commission consulted with relevant stakeholders. Efforts were made to bring the survey to the attention of stakeholders, including through news releases and Twitter. The stakeholder survey was supplemented with a survey of European ccTLD registries, written contributions from a number of stakeholders, and proactive 1:1 consultations by the Commission with key stakeholders including the current .eu Registry.

To achieve the objective of ensuring that the Regulations continue their benefits under changed circumstances, the evaluation addressed five key questions:

Effectiveness: how successful has the EU intervention been in achieving or progressing towards its objectives? The .eu Regulations have been efficient in making .eu domains widely available throughout the EU, at a low cost to consumers. While the .eu Regulations have been effective in supporting ecommerce and the internal market, there are signs of relative decline in the .eu TLD's performance.

Efficiency: what is the relationship between the resources used by the intervention and the changes generated by it? The .eu Regulations are causing inefficiency which places the .eu TLD at a competitive disadvantage in the market, reducing the possible benefits in terms of supporting ecommerce or the single market.

Relevance: what is the relationship between the needs and problems in society and the objective of the intervention, and how do they correspond to the wider EU policy objectives and priorities? The objectives of the .eu Regulations continue to be **relevant** to EU citizens, as indicated in the high level of uptake, active usage, and renewal of .eu domains by business

and institutions throughout the EU. However, the .eu Regulations are over-complex, and are no longer in step with international best practices.

Coherence: an analysis of the ‘internal’– and ‘external’ coherence of the intervention. There are numerous indicators that the intervention is no longer fully coherent: an over-rigid regulatory burden places the .eu Registry at a competitive disadvantage amid toughening market conditions; the .eu Regulations do not reflect subsequent EU priorities such as the Digital Single Market; they do not reflect international best practices in multi-stakeholder governance.

EU added value: the .eu domain has by definition a cross-border dimension. The existence of a specific domain name for the European Union under a very clear and identifiable common label is an important and valuable building block for a European online identity. This section therefore gives a comprehensive analysis of the importance of EU action.

The original .eu Regulations were pivotal in enabling the creation of a dedicated namespace for the European Union, but are no longer effective, efficient, or coherent in today’s fast-changing technological market environment.

The .eu TLD, first launched in 2006 in accordance with the .eu Regulations, is a success. The operation of the .eu TLD is self-funded, and results in the .eu Registry’s surplus being paid over to the EU institutions each year. In addition to these direct financial contributions, the .eu Registry undertakes public benefit activities which might otherwise have to be funded by the EU taxpayer. Despite being a late-comer to the European TLD market, the .eu Registry has managed to establish a healthy market share throughout the EU and EEA, building excellent relationships with its channel to market of 700 registrars. Its rate of renewal and growth are in line with industry trends in the EU.

In conclusion, the overall objectives behind the original intervention remain relevant – the .eu domain has become established as a contributor to e-commerce, the single market and the EU identity. Meanwhile, the external environment has changed: any technological industry is fast moving and to survive, market players need to be flexible and responsive. The market is still feeling the impact of a market shock from the introduction of 1,300 new domains, combined with slowing rates of growth across the domain market in the EU. These factors are causing an evolution in the business models of registries and practices. To fulfil its potential as a trusted, innovative namespace for the European Union, the .eu TLD must be enabled to compete on an equal footing in the market, while supporting governance and operations that adhere to the highest standards, EU values and international best practices.