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OPINIONS

European Economic and Social Committee

489th plenary session held on 17 and 18 April 2013

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EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

489th plenary session held on 17 and 18 April 2013

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1. Executive summary

1.1 The EESC has given strong support to renewable energy sources (RES) in previous opinions and the preparation of the so-called 20/20/20 package.

1.2 The promotion of RES at EU level is intended to reduce energy-related carbon emissions (contributing to Europe's part in climate protection) and import dependency (improving the security of supply).

1.3 The increasing share of intermittent RES has prompted intense debates on the technical and economic consequences of such an increase. Following the request by the Irish Presidency, the EESC aims to provide more clarity and transparency on that issue.

1.4 Beyond a certain share of the energy mix, intermittent RES require additional components of the energy system to be put in place: grid extensions, facilities for storage, reserve capacities and efforts towards flexible use. The Committee therefore recommends that significant impetus be given to developing and installing these missing elements.

1.5 Should these components not yet be available, either the energy output cannot be used from time to time, or networks and control systems can be overloaded from time to time. The consequences would be inefficient use of the installed facilities, as well as threats to the security of energy supply and to a viable European energy market.

1.6 Feed-in rules for RES are therefore to be carefully (re)defined, in order to provide for security of supply at all times and ensure that renewable electricity production can meet demand.
1.7 Expanding production facilities for intermittent renewable energies still further requires substantial investments to develop and operate the missing components of the complete system. In particular, the development and installation of sufficient overall storage capacity represent a challenge, a chance and an absolute necessity.

1.8 As a result, increased use of intermittent renewable energy technologies may well lead to a further considerable rise in costs for electricity, which, if passed on to consumers, could result in a severalfold increase in electricity prices.

1.9 A sustainable energy system comprising largely renewables, although carrying additional costs compared with current fossil-based systems, is the only long-term solution for our energy future. It should also be noted that cost rises are inevitable, due to the agreement to include external costs and stop subsidies attached to fossil-based energy.

1.10 The Committee therefore recommends that the Commission order an appropriate, thorough economic study on the issue covered by this opinion. This study should take a quantitative look at the unanswered questions.

1.11 Other economic repercussions following this cost increase could be (i) potential damage to the competitiveness of European industry, and (ii) a greater burden on socially disadvantaged groups in particular.

1.12 Consequently, there is a risk of more manufacturing relocating to non-EU countries where energy is cheaper. Not only could this fail to combat climate change (carbon leakage), it would also undermine Europe’s economy and prosperity.

1.13 Since additional further costs may arise from inappropriate subsidies and incentives varying from one European country to another, the whole cost issue, including alternative energy strategies, needs to be openly and transparently discussed, also addressing the question of the external costs of the various energy systems and their interdependence.

1.14 As a consequence, a common European energy policy and internal energy market are needed. This could provide the basis for a reliable legislative framework inspiring confidence and enabling energy investments and Europe-wide systems – the overarching objective of efforts to build a European Energy Community.

1.15 An effective and more market-oriented support instrument serving environmental, social and economic objectives, reflecting possible external costs and covering the whole EU is needed to enable renewable energy technologies to compete on free markets.

1.16 Appropriate carbon pricing could be used to this end (e.g. a tax). The Committee recommends that the Commission, together with the Member States, develop appropriate policy initiatives for such a support instrument. All other instruments supporting market penetration of various energy sources could then be abolished.

1.17 The global character of the climate problem and international economic integration require a stronger focus on the international economic situation and global carbon emissions. Global agreements on climate protection are therefore of vital importance.

1.18 An important element of the further procedure would be the establishment of a public dialogue – European Energy Dialogue – about energy across Europe as outlined in the proposal recently adopted by the Committee and welcomed by the European Commission. Eventually, a study on the impact of the Roadmap 2050 on the EU economy and its global competitiveness is needed, before making final decisions with long term impacts.

2. Introduction

2.1 The Committee welcomes the request by the Irish presidency, which addresses a serious problem – a problem that still needs to be solved if the objective of the Energy Roadmap 2050 is to be achieved. The EESC has given its strong support to renewable energy sources (RES) in its previous opinions and the preparation of the so-called 20/20/20 package.

2.2 Moreover, the Committee has discussed issues related to the subject of this opinion, most recently in its opinion on Integration of renewable energy into the energy market (CESE 1880/2012). The Committee has called for further installation of facilities to convert renewable energy sources into electrical energy, albeit in the framework of a balanced energy mix. It has recommended a stronger focus on economic and social aspects and on curbing rising costs, above all through appropriate carbon pricing, which should be the only support instrument used. The present opinion follows the same basic line.

2.3 With regard to the context and starting points of this opinion, it should also be pointed out that:

— So far, international efforts to prevent a further increase in global CO₂ emissions have in effect failed (Dieter Helm, The Carbon Crunch, Yale University Press, 2012); levels in excess of the 400 ppm threshold are not far off.

— Energy – increasingly in the form of electrical energy – is the lifeblood of today’s society. A sustained blackout would have very serious consequences (Was bei einem Black-out geschieht, Studien des Büros für Technikfolgen-Abschätzung beim Deutschen Bundestag (What happens when there is a blackout, studies of the German Parliament’s Department for Technical Impact Assessments), 2011).
3. The issue of costs

3.1 The key economic issue facing any energy supply system is the costs of developing and operating the complete system – from energy producers to consumers – and their impact on economic capacity, competitiveness and social sustainability.

3.2 Over the last years, costs have grown significantly in all energy supply sectors. This applies to fossil fuel sources such as oil or gas (with increases aggravated by taxes and other charges), to new nuclear power stations due to significant extra costs arising from safety systems, and particularly also to renewable energy sources due to the substantial subsidies and support mechanisms needed for them to achieve market penetration. In addition, in the complete system there are indirect costs arising from grid development, regulating energy, backup capacity, as well as external costs, which vary from one energy technology to another.

3.3 Due to the different subsidies and/or taxes on individual energy sources in different Member States, it is very difficult and complicated to get an overall picture – covering the whole EU – of the costs of the various energy sources. This aspect will be looked at again in the comments in section 4.

3.4 In this section, we discuss the expected costs of a growing share of intermittent renewable energy sources, before going on in the next section to look at possible further economic repercussions and to make recommendations for action. While also other energy sources may experience rising costs, while forecasts of future fossil fuel developments – both in terms of use and costs – largely reflect debates on the potential of shale gas and oil and on the significant differences in energy price between the EU Member States and e.g. the USA, and while this may be an important factor in weighing the economic benefits and risks of an increased installation of intermittent renewables, this section is focused on the expected costs of an increased use of intermittent renewables.

3.5 It is recognised that this must be tentative as no independent and authoritative analysis is known which provides a fully comprehensive energy-costs model, including not only all known externalities but which also recognises the significant impact of recent developments in the sourcing and production of unconventional fossil fuels. Eventually, the Commission should launch an economic study assessing the impact of the Roadmap 2050 on the EU economy and its global competitiveness, before making final decisions with long term impacts. The social and economic benefits of renewable energy sources should thereby also be assessed.

3.6 External costs play a key role in the debate on different energy sources (especially nuclear energy). Renewable energy technologies may also be associated with risks (e.g. dam bursts, toxic materials) and external costs (e.g. high land occupancy). However, a quantitative analysis of these factors and their interdependence (e.g. because of reserve power-stations using fossil fuels) goes beyond the scope of this opinion, but should be addressed in future debates.

3.7 If increased installation of intermittent renewable energy sources continues, indirect systemic costs will outstrip the direct costs of the "electricity production facilities". Although the direct costs of such "production facilities" have significantly gone down, in the meantime, they are not yet competitive without subsidies and still contribute to the rise of the energy bill. However, the additional cost factors of the complete energy supply system referred to below will become substantially more significant only when the relative share of renewable energy sources rises. This is explained in greater detail below.

3.8 Intermittent output. Wind and solar energy are only produced when the wind blows and/or the sun shines. This means that facilities used to convert intermittent renewable energy sources into electricity only achieve maximum output for a limited number of hours per year - the period of use...
of the installed capacity is around 800-1 000 hours for photovoltaic cells (in Germany) and around 1 800-2 200 hours for onshore wind energy, or around twice as much offshore. For example, in Germany the energy yield (derived from Energie Daten 2011, Bundesministerium für Wirtschaft) in 2011 for photovoltaic cells and wind turbines was respectively only just over 10% and just under 20% of the theoretical total annual yield achievable with constant output. By contrast, fossil and nuclear power stations can achieve much higher levels (80-90%) of annual average use (i.e. over 7 000 hours at full capacity), enabling this potential to be used for baseload capacity.

### 3.9 Excess capacity.
This means that to replace the annual average output from "conventional" – fossil or nuclear – energy sources using intermittent renewable energy sources, production capacity will have to be increased by factors well in excess of annual peak load: significant production facilities with excess capacity will have to be installed and kept operational together with significant excess transmission/distribution facilities. Even more of these will be needed due to energy lost during storage and reuse.

### 3.10 Two typical cases.
The consequences of this necessity can be illustrated by two typical situations; on the one hand we have a situation in which during the period in question most "production facilities" are supplying electricity (excess supply), and on the other a situation in which only an insufficient minority are operating (excess demand).

### 3.11 Excess supply.
Given the need for excess capacities, whenever electricity generated from wind or solar power exceeds grid capacity and current demand from presently accessible consumers, three things can happen: either production partially shuts down (meaning that some potential energy output is unused), or grids become overloaded, or – if the requisite facilities exist – surplus electrical energy can be stored and subsequently supplied to consumers when wind or solar output becomes insufficient. Some mitigation is expected from the possibilities for flexible use (point 3.16).

### 3.11.1 Grid overload and security of energy supply.
Energy produced from German wind and/or solar power stations from time to time already now overloads existing transmission grids in neighbouring countries (especially Poland, the Czech Republic, Slovakia and Hungary (EurActiv, 21 January 2013), a source of irritation entailing a threat to grid operation and also additional costs due to remedial measures plus the need to invest into protective systems (such as phase-shifting transformers). There is a risk of significantly exceeding tolerance and seriously endangering the security of supply.

### 3.11.2 Storage.
In order to (i) relieve the grid system from the overload of the excess supply from the huge overcapacities which are an inherent result of the growing application of intermittent renewables, and (ii) to store this energy for later use, the development and installation of sufficient overall storage capacity represents a challenge, an opportunity and an absolute necessity.

#### 3.11.3 Storage loss factor.
While water storage power plants lose the least amount of energy and have already been in large-scale use for many decades, due to economic and natural factors and the need for public acceptance, scope for wider and sufficient use of such systems in Europe is very limited at present. Other storage systems for large-scale use are still under development. Forecasts suggest that electricity supplies from innovative storage facilities will cost at least twice as much as unstored electricity (Niels Ehlers, Strommarktdesign angesichts des Ausbaus fluktierender Stromerzeugung (Designing electricity markets in response to the development of intermittent electricity production), 2011); this means a loss factor of at least two. In this area in particular, there is a very great need for research and development.

#### 3.11.4 Development of the complete electricity supply system must be a priority.
Consequently, in order to further install facilities for producing energy from intermittent renewable energy sources, priority will have to be given at first to installing and making operational the missing components of the complete system, in particular adequate transmission infrastructure and storage systems, as well as systems for flexible usage.

#### 3.11.5 Preliminary measures.
This must happen if there is to be a continued rationale for priority feed-in to grids, so as not to exceed grid tolerance, and enable renewable electricity production to meet demand without threatening security of energy supply. Otherwise priority feed-in rules will have to be revisited.

### 3.12 Excess demand.
Given that renewable energy sources produce a fluctuating output, they can only make a very limited contribution to "firm capacity", i.e. to secure coverage of peak annual consumption. The German Energy Agency (Dena) (Integration EE, Dena, 2012) estimates that this contribution is in the range of 5-10% for wind energy, and as little as 1% for solar energy (compared to 92% for lignite-fuelled power stations). These ratios may be more or less propitious depending on the geographical location and climate conditions of the individual countries concerned.
3.13 Backup power stations. This means that conventional power stations (backup power stations) will still be needed to compensate for insufficient renewable energy output and provide reliable capacity which can be regulated. Until we have enough innovative electricity storage facilities, such conventional power stations will remain essential. Some conventional technologies are no longer economically profitable, although they are necessary to secure the stability of grid operation. If these backup power stations use fossil fuels (as opposed to hydrogen generated through a process of electrolysis powered by electricity from renewable energy sources, for example), they will also make it more difficult to achieve the Energy Roadmap 2050 target.

3.13.1 Keeping capacity in reserve. Compared to "normal" power stations providing baseload capacity, backup power stations are used less intensively over the course of the year and may operate with lower efficiency levels and higher variable costs. They therefore have higher life cycle costs than normal power stations. The economic incentives needed to ensure the requisite backup capacity are now under discussion (Veit Böckers et al., Braucht Deutschland Kapazitätsmechanismen für Kraftwerke? Eine Analyse des deutschen Marktes für Stromerzeugung, Vierteljahrshefte zur Wirtschaftsforschung (2012)).

3.14 Evening out regional differences. Alongside backup power stations and storage technology, another option is to even out regional differences in terms of excess supply and demand at certain times, e.g. when the wind is blowing in north-western Europe but not in the south-east. Using this option requires, however, that regions benefiting from high wind levels at a certain moment will also have sufficient excess capacity to cover demand in regions currently lacking in wind, and that both regions will be interlinked with adequate transmission lines.

3.15 Expanding electricity transmission grids. Given that the vast majority of renewable energy generation capacity feeds into low and medium-voltage grids, these will have to be developed and strengthened. Transformers and control systems ("smart grids") will also have to be adapted to the new role of distribution grids. Moreover, investment in high-voltage transmission grids is urgently needed, since insufficient interconnections (e.g. between Northern and Southern Germany) cause unplanned flows of energy which endanger the security of transmission systems' operations. This is partly because most wind energy facilities are not located close to high concentrations of consumers or storage facilities, and because additional capacity could enable closer synchronisation in Europe, in order to partially substitute for storage facilities and backup capacities.

3.16 Demand-Side Management (DSM) and electromobility. Shifting demand from peak to off-peak periods ("functional energy storage"), including electro-mobility, is another option which can contribute to buffer the effects of intermittency. Some uses of electricity would lend themselves to this, for example air conditioning and cooling and heating systems, electrolysers, and electrical melting furnaces. Electromobility by means of battery-powered vehicles may be another option here. It should be established what financial incentives, combined with smart-metering, could encourage customers to make the relevant capacity available.

3.17 Costs of the system as a whole. The economy as a whole, i.e. basically consumers (and/or taxpayers), will inevitably be burdened with the total costs arising from the use of intermittent renewable energy sources. These include the lifecycle costs of at least two energy supply systems: on the one hand, a set of power stations fuelled by renewable energy, inevitably requiring significant excess capacity that will have to be used, and on the other, a second set of power stations together with conventional backup capacity, electricity storage, new transmission capacity, and demand management for end customers. Of course, these must be balanced against the costs associated with continued use of fossil fuels (see 3.3) and potential subsidies for non-renewable electricity production.

3.18 Unless other reasons can be found, it is remarkable that, in countries where proactive support schemes for intermittent RES are in place, for example Germany and Denmark, domestic electricity prices are already now around 40-60% higher than the EU average (EUROSTAT 2012). As a result, increased use of intermittent renewable energy technologies in line with the Roadmap 2050 targets will lead to a rise in costs for electricity, which, if passed on to consumers, initial rough estimates suggest could result in a severalfold increase in electricity prices. In the light of this, please refer to the recommendations in point 3.5.

3.19 The first answer to the Irish Presidency's question is therefore that producing increasingly more electricity from intermittent renewable energy sources in line with the Roadmap 2050 targets will lead to significantly higher...
costs for electricity users. So far, the public debate has not usually looked closely enough at the costs of the complete system, focusing instead only on the costs of (intermittently) feeding energy output into the grid, which is estimated to represent half of total costs.

4. Economic factors

In view of the above, the most important point to consider next is what steps to take so that (i) the resulting cost increase can be kept as low as possible, (ii) its impact can be made acceptable, (iii) European economic strength will benefit and (iv) energy supply is secured.

4.1 The system of renewable energies as a whole. In order to prevent avoidable wastage of financial resources and even yet higher energy prices, priority must be given to the planning, development and installation of the necessary components of the complete system – storage facilities, networks and backup power stations – on a sufficient scale to pave the way for the further installation of intermittent renewables. The example of Germany and the reaction of neighbouring countries show what happens when we fail from the very beginning to take this principle into account.

4.1.1 Conditions for energy providers. This means that such a complete renewable energy system covering the whole EU has to be installed, in order to avoid feed-in rules be reviewed (see 3.10.5). For example, providers of electricity from intermittent renewable sources could be required to follow a day-ahead production schedule. This task could be facilitated by potential synergies with supply systems based on district heating and cooling and with transport systems.

4.2 The debate on what further steps to take should distinguish between the different categories, timeframes and areas of action (even though these are correlated), for example:

— security of energy supply at all times, as an absolute priority;

— limits of grids both at transmission and distribution levels;

— Community policies at EU level versus individual countries going it alone;

— in terms of economic policy: implications of higher costs, depreciation cycles, innovation, investor confidence, energy costs in manufacturing, business and transport, market economy versus planned economy;

— in terms of social policy: jobs (without cross-subsidising), energy costs for private consumers;

— timeframe: on the one hand we need to plan up to 2020-2030, but on the other we need to think beyond 2050. We need time for many new developments and their implementation. Hasty action can lead to mistakes;

— scope for developing and testing innovative approaches;

— internationally: (i) in relation to climate/rising CO₂ emissions, and (ii) in relation to economic policy and European competitiveness, "carbon leakage".

4.3 Priority list. When considering options for action, more attention must be paid to global trends and facts, a clear list of priorities must be drawn up for the key objectives, and the growing trend to not harmonised regulatory interference by governments of the various member states must be curbed (see 4.7). Rather than this we need to build trust and thus unlock potential private-sector interest in investment. The following paragraphs look at some aspects of this problem.

4.4 A global approach. The overarching goal of European energy and climate policy should be to take the right steps and send the right messages in a way which is as conducive as possible – despite the setbacks to date (Copenhagen, Cancun, Durban, Doha) – to minimising the rise in global CO₂ concentration levels, to strengthening European economic competitiveness on global markets, and to making energy on European markets as economical as possible. Given that climate is a global issue, a solely Eurocentric approach is misleading. Laying claim to a "pioneering" role could not only lead to investment and job creation but also undermine our international negotiating position and our appreciation of reality.

4.5 Transparency, civil society and consumer interests. If we want to get civil society constructively involved in these processes (TEN/503) and to implement energy policies which are more closely geared to consumer interests, there must be more openness, and ordinary Europeans and decision-makers must be made more familiar with the quantitative facts and correlations. Achieving this is often made more difficult due to the one-sided arguments and information put forward by various privileged stakeholder groups concealing the downsides of their positions. The Committee welcomes the relevant Council conclusions (Renewable Energy Council, 3.12.2012), but at the same time would call for more ambitious and open information policies.
4.6 European Energy Dialogue. An important element of the further procedure would be the establishment of a public dialogue about energy across Europe as outlined in the proposal recently adopted by the Committee (TEN/503) and welcomed by the European Commission. Public involvement, understanding and acceptance of the different changes which our energy system will have to go through over the coming decades are essential. In this regard, the EESC's membership and constituency, reflecting European society, is well placed to reach out to citizens and stakeholders in the Member States and establish a comprehensive programme embodying participative democracy and practical action.

4.7 A European energy community. The Committee confirms its commitment to a European energy community (CESE 154/2012). Only such a community can represent European positions and interests effectively in relations with international partners while making best use of the relevant regional and climate conditions. Moreover, this is the only way of coordinating and improving national rules and support instruments, which often contradict one another, and of managing and implementing grid development within Europe in the best possible way.

4.8 Internal energy market. A European energy community implies a free internal energy market (CESE 2527/2012), including renewable energies. This could ensure that, in view of the complete overhaul of the energy supply system envisaged by the Energy Roadmap 2050, electricity production can be geared to consumer needs as economically as possible, and that investments are made at the right time, in the right places (e.g. in regions with the right climates), and in the most economical electricity generation technologies. Renewable energies must therefore be integrated into a European internal energy market which operates in accordance with free market principles.

4.8.1 Competitive renewable energies. In order for renewable energies to become competitive on the energy market, CO₂ emissions from fossil fuels must be sufficiently factored into prices by an appropriate and coherent pricing or market instrument. Renewable energies should therefore in the medium term be made "competitive". Unregulated electricity prices plus appropriate carbon prices (e.g. taxes) as an investment incentive should be enough to make this happen. Alongside appropriate charges for network use, this should be a necessary and sufficient condition for investment in backup power stations, storage facilities and demand-side management at the right time, in the right place, and in the right quantity. In this situation, subsidies would only be needed for research, development and demonstration activities linked to new technologies.

4.9 A cautious approach to sharing costs. Even though the expected rise in electricity costs is just beginning, measures are already discussed or even installed for exceptional cases. On the one hand, as the Committee has asked (1), low-income social groups should be protected from energy poverty. On the other hand, the most energy-intensive industrial sectors need protection from rising energy costs, so as not to undermine their global competitiveness; failing this, their production sites would relocate outside Europe, to countries where energy is cheaper. This would certainly not help the climate cause ("carbon leakage") (TEN/492).

4.9.1 However, one of the repercussions of this situation is that SMEs and middle income groups will in addition have to bear the burden of costs which specific sectors are spared.

4.10 Avoiding deindustrialisation. Further deindustrialisation of the EU should be avoided. At present, deindustrialisation is creating the illusion that European efforts to reduce CO₂ emissions are succeeding. However, what is actually happening is a hidden form of "carbon leakage": if products are manufactured elsewhere instead of in Europe as was previously the case, the associated "carbon footprint" will remain or could even be exacerbated.

4.11 More research and development instead of rushed and premature large-scale market launches. The distinction between research, development and demonstration on the one hand, and large-scale market launches and support on the other must not be blurred; among other things, this could even lead to market situations which would impede innovation. Excessive subsidies for photovoltaic energy (e.g. in Germany, Frondel et al., Economic impacts from the promotion of renewable technologies, Energy Policy, 2010) have not helped to develop a competitive system in the EU (Hardo Bruhns und Martin Keilhacker, Energiewende – wohin führt der Weg (The energy transition - where is it taking us?), Politik und Zeitgeschichte, 2011). We now have cheaper solar panels not because of Europe but because of China! We therefore need to focus on developing all potentially viable options for low-carbon energy, especially sources capable of contributing to baseload capacity, such as geothermal energy and nuclear fusion. Neither in Europe nor in the rest of the world will we have solved the energy problem once and for all by 2050!

4.12 Offering incentives for investment: In view of the current crisis and the need to develop the complete supply system, investments in new technologies and infrastructure are urgently needed. Such investments boost optimism, helping to

(1) OJ C 44, 11.2.2011, pp. 53-56.
create jobs and confidence. This also applies to most investments in low-carbon technologies such as renewable energy sources, subject however to certain limitations and conditions, some of which have already been mentioned earlier in this opinion. In particular, policies should avoid prescriptions demanding specific technologies, as these could lead to further misallocation of limited resources (see above).

4.13 General recommendation. The general recommendation is therefore to review the framework of regulations and conditions and to ensure they create a climate which stimulates research, encourages investment, favours innovation, supports the internal market and does not jeopardise the security of energy supply. Subsidies must focus on research, development and demonstration of technologies and systems. At the same time, the only support for renewable energy sources being competitive in the market should come from the criterion of CO₂ avoidance costs (carbon pricing) (CESE 271/2008). At the same time all subsidies for fossil fuel consumption should be abolished.

4.14 A level playing field for global competition. To ensure that this approach contributes enough to meeting global climate challenges without imposing additional competitive disadvantages at international level on European industry, countries in other parts of the world must urgently make similar efforts or agree on realistic joint targets, to ensure fair and comparable conditions for competition at global level. Despite the disappointments to date, the Committee supports continued efforts by the EU to achieve this.

4.15 Europe going it alone. However, if these efforts fail, the question remains how long the EU can afford to continue going it alone and working towards radical targets without seriously undermining its own economic strength, thus depriving itself of the very resources it needs to prepare for climate change – which in that case would probably be inevitable – together with all its economic and political repercussions.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE.
Opinion of the European Economic and Social Committee on the 'Single European Sky II+' (exploratory opinion) 
(2013/C 198/02)

Rapporteur: Mr KRAWCZYK

On 24 January 2013 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the Single European Sky II+ (exploratory opinion).

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 April 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April), the European Economic and Social Committee adopted the following opinion by 188 votes to 2 with 3 abstentions.

1. Conclusions and recommendations

1.1 The completion of the EU Single European Sky (SES) is an inherent part of the process of improving the competitiveness and growth of the EU economy by further strengthening the European single market. Its objective is to provide better, more effective and reliable conditions of air travel to the European citizens.

1.2 The continuing crisis in the EU aviation sector and particularly in the airline industry calls even more for the urgent implementation of the SES. Bringing European Air Traffic Management (ATM) services to a level of efficiency, in terms of performance, economics, quality, security and environmental protection that is comparable with global best practices is of utmost importance.

1.3 In line with its previous opinions TEN/451 (20/06/2011) and TEN 354/355 (21/01/2009), the EESC fully supports the need for a timely and comprehensive implementation of the SES and its Air Traffic Management Research (SESAR) initiatives within the scope originally agreed upon in 2004 and 2009. The legal instruments provided to the European Commission by the EU regulations are sufficient to this goal. Due to the continuing crisis in the EU aviation sector and particularly in the airline industry, the objectives for 2025 could be reflected upon.

1.4 The EESC regrets that most Member States to whom the performance targets were addressed have failed to comply with these targets without facing any effective legal consequences. The EESC also regrets that most of the Functional Airspace Block (FAB) initiative failed to deliver and that the binding deadline of 4 December 2012 was not met.

1.5 In this context the EESC welcomes the Commission's plan to give further impetus to the SES through a new so-called SES II+ initiative.

1.6 The EESC considers that the revision of the present SES legislative framework should not only focus on institutional developments and on improving legal clarity, but also on strengthening the following elements:

— top down components to complement the bottom-up approach;

— better enforcement of timely and substantial SES implementation through penalties for non-compliance;

— unbundling of ancillary ATM services, opening them up to greater competition and market forces;

— defining objectives that target service quality and enhancing efficiency in equal measure;

— greater involvement of airspace users.

1.7 The European airline industry is in a very difficult economic situation which has already led to thousands of jobs being lost. The implementation of the SES and its improved efficiency are therefore also important for safeguarding jobs in this part of the aviation value chain. The 5th pillar of the SES is fundamental here in terms of adequately addressing the challenges regarding employment, worker mobility, changes in staff management and professional training. Social dialogue should, as a consequence, be strengthened and look beyond the pure ATM sector and be opened to the participation of other social partners than only Air Navigation Service Provider (ANSP) representatives, and should extend its scope to discussing the social consequences for workers in ATM, airlines, airports, and ways of safeguarding jobs in the wider EU aviation industry.

1.8 Member States, including those being slow on SES implementation, should present their strategies towards the future development of their air transport sector.

1.9 The EESC believes that the high level of safety achieved by EU aviation should remain of the utmost importance. It is vital to ensure that the necessary action to reach the economic goals further support the development of the safety level.
2. Introduction

2.1 The completion of the Single European Sky (SES) project is an inherent part of the process of improving the competitiveness and growth of the EU economy by further strengthening the European single market. The SES aims to improve the overall efficiency of the way in which the European airspace is organised and managed. This includes reducing costs, improving safety and capacity and limiting the impact on the environment. Its objective is to provide better, more effective and reliable conditions of air travel to European citizens.

2.2 Following the recent reports of Eurocontrol (ACE Benchmarking Report 2010, draft ACE Benchmarking Report 2011 and draft PRU Report 2011) it should be stated that the period 2007-2011 saw numerous changes. Consequently, any analysis of the overall variation in cost-effectiveness should not be done without taking into consideration the main events during this period.

2.3 In 2010, the annual cost caused by the fragmentation of Europe's airspace amounted to EUR 4 billion. This includes 19.4 million minutes of delays due to en-route air traffic flow management (ATFM); in addition, each flight was on average 49 km longer than the direct flight route. At European level, the economic cost per composite flight-hour increased slightly from 2006 to 2009 (i.e. +1% p.a. in real terms); it rose significantly in 2010 (i.e. +4.6% in real terms) before falling in 2011 (-4.3%) prior to the SES II First Reference Period. In 2010, ATM/CNS provision costs fell by -4.8% in real terms, which was consumed by a sharp increase in the unit costs of ATFM delays (+77.5%), which, in contrast, fell by 42% in 2011.

2.4 The significant variation in the total costs incurred by airlines for air navigation services, which in 2010 ranged from EUR 849 to EUR 179 i.e. a factor of over five, is of particular importance. In addition, the five largest Air Navigation Service Providers ANSPs, all of which operate under broadly similar economic and operational conditions, showed significant differences in their unit costs, which ranged from EUR 720 to EUR 466. This distribution sends out a clear signal that ATM is not optimised across Europe.

2.5 The results of the SES I and SES II schemes (introduced in 2004 and 2009 respectively) demonstrate that the principles and general direction of the SES initiative are valid and that efforts have been made to optimise the ATM rules, which are beginning to bear fruit. However, these schemes have also revealed a number of weaknesses, largely due to the Member States' failure to provide a clear outline of their current aviation priorities. Their priorities range from such issues as creating value added for airspace users to maximising their own income from air operations as well as using aviation as a tool for regional and micro-economic development. As a result, ANS provision in Europe still shows major deficiencies in terms of its efficiency and quality, yet there is a lack of any clear explanation regarding this situation. In addition, the current institutional set-up is less than optimal as it includes numerous overlaps, gaps and a lack of any common direction among the various stakeholders. The SES institutional framework therefore needs to be strengthened.

2.6 SESAR is the technological element of the SES. According to a study from the SESAR Joint Undertaking, the macroeconomic impact of SESAR could generate additional GDP of EUR 419 billion for the European economy and create some 320 000 jobs. The completion of the SESAR programme will require major investments from all parts of the aviation value chain participants, which are difficult to justify unless an acceptable return on investments can be established based on the synchronised deployment of air and ground elements including airspace users, ANSPs and airports. The institutional framework needs to evolve to ensure the successful deployment of SESAR; at the same time, robust cost-benefit studies have to be conducted by all co-operating parties for the sequence of investment projects along the complete aviation value chain.

2.7 The European Commission therefore plans to issue a legislative package (SES II+) which builds on the existing SES initiatives and which will seek to further improve cost efficiency, capacity, safety and regulatory quality.

2.8 Based on the information received from the European Commission, the SES II+ initiative will aim to:

— enhance the low performance of ANS Services by revitalising Functional Airspace Blocks (FAB), secure financing for SESAR deployment, update the ATC charging scheme, modernise technology by completing SESAR and establish more efficient performance targets;

— improve the current sub-optimal institutional set-up by a variety of measures, these include: concentrating economic regulation at the European Commission while making EASA responsible for technical regulation and oversight; recognising Eurocontrol as a supporting body for these institutions, updating Network Manager governance and clarifying SES and EASA frameworks by eliminating overlaps and ultimately developing a European Aviation Agency (EAA) which would encompass all aspects involved in the oversight of the European aviation industry – including technical, economic and safety issues;

— recast the regulatory instruments into one consistent act;

— invite Member States to adapt Eurocontrol to the new institutional environment.

3. General comments

3.1 In line with its previous opinions TEN/451 (20/6/2011) and TEN 354/355 (21/1/2009), the EESC fully supports the need for a timely and comprehensive implementation of the
EU Single European Sky and SESAR initiatives: The sense of urgency ought to be much higher, since the economic situation of many European airlines is currently very bad.

3.2 The EESC expects, that the implementation of the SES package will be fully completed, i.e. within the scope originally agreed upon in 2004 and 2009. The legal instruments provided to the European Commission by the EU regulations are sufficient in this respect.

3.3 In this context the EESC welcomes the Commission’s plan to give further impetus to the SES initiative. It will be essential for all EU Member States to honour their earlier political commitments to timely deliver full implementation of the SES. It is also of fundamental importance that the European Commission maintains strong leadership and responsibility throughout the entire implementation process.

3.4 Considering relatively poor results of the implementation of the Single European Sky (SES) following the entry into force of SES I in April 2004 and of SES II in December 2009, the EESC considers that the revision of the present SES legal framework should not only focus on institutional developments but also on strengthening the following elements:

— top down components to complement the bottom-up approach;

— clear presentation of Member State strategies, in particular those that may run counter to SES implementation;

— strengthen timely and substantial SES implementation through penalties for non-compliance;

— mandatory unbundling of ancillary ATM services, opening them up to greater competition and market forces;

— defining objectives that target service quality and enhancing efficiency in equal measure;

— greater involvement of airspace users;

— broader participation of the social partners - other than only Air Navigation Service Provider (ANSP) representatives - as part of a social dialogue within the SES II+ framework.

4. Specific comments

4.1 The EESC regrets that a significant number of Member States to whom the targets were addressed have failed to comply with the performance targets without any effective legal consequences. The recently submitted national performance plans demonstrate that these Member States have watered down their targets even further. Therefore, in order to ensure that the Member States create bigger synergies within their Functional Airspace Blocks (FABs), and ultimately between those, there is clearly a need for ambitious performance targets combined with an effective sanction mechanism as well as unambiguous and clear Member State strategies which are supported by the necessary pan-European harmonisation of the law in this area. The SES should stimulate the development of the necessary common European legal instruments (i.e. civil law) and a common approach towards the European air defence sector.

4.2 The EESC feels that more powers should be given at EU and FAB level to help overcome the current problem whereby Member States focus on protecting their own national ANSPs or using them as national economy tools rather than on creating value added for airspace users and customers/passengers. EU-wide performance targets should help ensure that the SES high-level goals for 2020 are achieved; (namely, compared to 2005, a three-fold increase in capacity where needed, a 10% reduction in the environmental impact of flights and a reduction of 30% in the cost of ATM services for airspace users) and lead to progress towards the defragmentation of national air spaces.

4.3 The EESC stresses the need to safeguard the independence of the EU Performance Review Body (PRB). Its activities should be detached from those of Eurocontrol and be transferred to a full EU body under the Commission’s responsibility. The EU should also give the PRB a stronger role in the process of establishing EU-wide performance targets and national performance plans. Overrepresentation by ANSPs should not be continued.

4.4 The EESC feels that penalties and incentives should be established at EU level to prevent non-compliance with performance targets and to ensure that such targets remain separate from national interests. In particular, it should be envisaged to link the rate of return on investments made by the ANSP and equity of their shareholders to the achievements of the Performance Scheme.

4.5 The EESC regrets that most of the Functional Airspace Block (FAB) initiative failed to deliver and that the SES II legal deadline of 4 December 2012 was not met. New impetus should be given to FAB initiatives through more top-down steering at EU level. A more top-down approach should ensure that FABs deliver real benefits rather than the current window dressing exercises. In this context, the SES Network Manager should be given the power to propose and implement specific projects from FABs to optimise FAB governance, airspace, along with technical and human resources, based on clear deadlines. Penalties should be established in cases of non-compliance. The Network Manager and interested airspace users should also be given an observer’s seat at the FAB’s main bodies.
4.6 The contribution of the Member States to the EU Single European Sky Committee has been dominated by national interests rather than EU goals. The latest decision of that Committee on the 2015-2019 performance and charging scheme is another setback in SES implementation. The EESC proposes that both airspace users and ANSPs should be given an observer’s seat and the right of initiative in all SES Committee activities.

4.7 The EESC once again welcomes the Commission’s intention to take a fresh look at the unbundling of ancillary ATM services as a way of improving customer focus and efficiency. The EU regulatory tools should be used to speed up the unbundling process. In this context, the EESC regrets that the Commission failed to meet the legal deadline of 4 December 2012 to prepare and submit a study to the European Parliament and to the Council evaluating the legal, safety, industrial, economic and social impact of the application of market principles for the provision of communication, navigation, surveillance and aeronautical information services and taking into account developments in the functional airspace blocks and in available technology.

4.8 The EESC feels that the SES II+ legislation should address the separation between core bundled ANSPs and ancillary services such as Communication Navigation Surveillance (CNS), Meteorological Services (MET) and training, opening up the market for these services, which could result in increased efficiency, higher quality and an overall reduction in costs. The EESC notes that the importance of further liberalising ancillary services was also stressed in the impact assessment of the SES II+ legislation and the High-Level conference on SES in Limassol. Although current legislation allows for unbundling at national level, Member States are still rather hesitant about using this tool to increase performance. Wherever possible, the provision of CNS and MET services should be subject to market conditions and tendering procedures. In addition, market conditions should not be combined with a designation mechanism on the same market, otherwise the latter will dominate. All local and substantial cross subsidies should be prohibited.

4.9 Eurocontrol’s new concept of centralised services should be given due consideration, provided these services are based on acceptable business cases that have been endorsed by the operational stakeholders (airlines, ANSPs and airports) and they are based on open calls for tender in view of fixed-term contracts being awarded to those companies that have provided the best offer.

4.10 The EESC highlights the fact that the defragmentation of ANS facilities could be made possible through the use of consolidating centres. The so-called “Virtual Centre” concept could represent a useful starting point. This approach provides for the use of fully standardised methods of air traffic service units operating from different locations which use fully standardised but scalable methods of operation, procedures and equipment in such a manner that airspace users consider them to be a single system. This effect has also been clearly visible in the current set of SES programmes, such as SERA and SESAR. These arrangements support full technical and operational interoperability among participating ANSPs, which, in turn, allows sectors assigned to a specific unit to be temporarily transferred under the operational responsibility of another. Consequently, this would make it possible to optimise the use of Area Control Centres (ACC) overnight and to ensure optimum performance at any given time.

4.11 The EESC therefore feels that the SES II+ legislation should provide an appropriate regulatory framework to lead and steer the implementation of standardisation measures in a consistent and coherent manner. A common steering body should be established within the FABs in order to ensure consistent and coordinated deployment. Standardisation measures represent a realistic and effective means of achieving the EU-wide performance targets.

4.12 The EESC welcomes the Commission’s plans to increase the tasks and powers of the SES Network Manager. In this context, it will be essential to allow airspace users to participate in strategic decisions affecting network performance and to give ANSPs a role in decision-making on local performance.

4.13 The EESC takes note of the fact that the Commission plans to expand the scope of the European Aviation Safety Agency (EASA) to deal with all technical regulation and oversight including areas not related to safety. The EESC agrees that this may be the right approach but expresses concern that, even with the support of the risk-based priorities concept, overloading the EASA with new tasks could create more problems than benefits and focus the EASA’s attention away from its core safety mission. The EESC therefore feels that the expansion of EASA’s scope of activity should not be a priority at this point in time. Instead, the EESC feels that potential overlaps between the EASA and SES frameworks could be solved through appropriate coordination mechanisms between the EASA, Eurocontrol and the Commission without necessarily changing the institutional framework.

4.14 The role of Eurocontrol in operational SES implementation is very important. To ensure the future efficient performance of centralised services like those provided by the Network Manager, a revision of the current Eurocontrol convention will be required.
4.15 With regard to SESAR, the EESC stresses the importance of securing sufficient public funding to support the synchronised deployment of ground and air elements. Moreover, the operational investors (airspace users, ANSPs and airports) should be given a prominent role in the governance of SESAR deployment when deciding on the priorities, based on clear business cases. The EESC stresses the importance of the implementation of SESAR as a European key infrastructure project. The Committee expresses its highest concern about possible cuts in the Connecting Europe Facility budget that may influence the ability to carry this implementation forward. It is also of utmost importance to work out possible future financing models for the military deployment of SESAR.

4.16 The EESC does not support the Commission’s proposal to introduce price modulation for congested routes. This would not actually lead to any improvement in the use of airspace capacity; moreover, as its introduction could force aircraft operators to fly longer routes it would also run counter to the EU’s goals of curbing emissions as a means of combating climate change. Furthermore, such a system would also be unfair since aircraft operators already pay a price for congestion due to the indirect costs of delays. Such an approach would lead to a dual penalty which would be totally unacceptable especially since aircraft operators use route charges to finance infrastructure upgrades, which should ultimately reduce congestion.

4.17 Instead, the EESC believes that price modulation should focus on motivating aircraft operators to purchase the equipment needed to improve the overall performance of the Air Traffic Management System. This could be achieved by using public funds to reduce user charges for those aircraft operators which invest early in SESAR technologies. This approach could then be accompanied with further measures such as the Best Equipped, Best Served Concept, which is fully supported by EESC.

5. Social dialogue

5.1 The European airline industry is in a very difficult economic situation which has already led to thousands of jobs being lost. The implementation of the SES and its improved efficiency are therefore also important for safeguarding jobs in this part of the aviation value chain. The 5th pillar of the SES is fundamental here to adequately addressing the challenges regarding employment, worker mobility, changes in staff management and professional training. Social dialogue should, as a consequence, be strengthened and look beyond the pure ATM sector and be opened to the participation of other social partners than only Air Navigation Service Provider (ANSP) representatives, and should extend its scope to discussing the social consequences for workers in ATM, airlines, airports, and ways of safeguarding jobs in the wider EU aviation industry.

5.2 The EESC strongly believes that effective on-going social dialogue is essential to help the transition process. If staff members are not fully engaged in this transition, the risk of failure will increase significantly. In particular, new technologies and operational concepts developed by SESAR will change the traditional role of air traffic controllers, who will act as air traffic managers.

5.3 It is important that the social dialogue within the SES framework reflects the concerns of all the parties involved in the implementation. The current dominance of ANSP representatives is therefore not justified and risks to further discriminate other important industry players.
Opinion of the European Economic and Social Committee on ‘Growth Driver Technical Textiles’
(own initiative opinion)
(2013/C 198/03)

Rapporteur: Ms BUTAUD-STUBBS
Co-rapporteur: Ms NIESTROY

On 12 July 2012 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

Growth Driver Technical Textiles

(own-initiative opinion).

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 12 March 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April 2013), the European Economic and Social Committee adopted the following opinion by 172 votes in favour with 6 abstentions.

1. Conclusions and recommendations

1.1 The sector of technical textiles which registered positive economic and employment trends in the EU is an example of "traditional sectors" able to "reinvent itself" on new business model fully suited to the needs of the new industrial revolution (more smart, more inclusive and more sustainable).

1.2 Textile Materials and Technologies are key innovations that could respond to a huge variety of societal challenges. Technical textiles are enablers in other industries by proposing and offering:

— alternative materials: light-weight, flexible, soft, (multi)functional, durable;

— new technologies: flexible, continuous, versatile;

— functional components reliable, multi-functional, cost-effective, user-friendly parts of larger technology systems and solutions.

1.3 The European Economic and Social Committee draws the attention of the European Commission and of the European Parliament to the major factors of success that need to be encouraged in order to foster the growth of this promising sector:

— to put in place at national and EU levels simple and efficient means aiming at encouraging and financing technological and non technological innovation;

— to support all the necessary efforts enabling the work force to upgrade its qualification and to adapt its skills to the growing markets (health, construction, transports, cosmetics ...);

— to include in relevant EU R&D programmes a textile component, with the aim of fostering the substitution of traditional materials such as steel and cement by more sustainable textiles materials, and to strengthen research of recycling of these materials as well as in the evolving area of the "CO₂ economy" (CO₂ as resource):

—to take into account the effect of any increase of energy cost on high energy intensive companies in the EU operating for instance in the non woven and composites manufacturing;

—to support industry in conducting life-cycle assessments in order to demonstrate the environmental sustainability of the products.

2. The sector of technical textiles in the EU

2.1 Definition of the sector and major markets

2.1.1 Technical textiles are defined as textiles fibres, materials and support materials meeting technical rather than aesthetic criteria, even if, for certain markets like work wear or sports equipment, both types of criteria are met.

Technical textiles bring a functional answer to a wide range of specific requirements: lightness, resistance, reinforcement, filtration, fire-retardancy, conductivity, insulation, flexibility, absorption and so on.

Thanks to the nature of the fibres (polyester, polypropylene, viscose, cotton, carbon, glass, aramid, etc.), as well as the choice of the most relevant manufacturing techniques (spinning, weaving, braiding, knitting, non-woven ...) including finishing processes (dyeing, printing, coating, laminating ...), technical textile producers are able to propose textile solutions offering the mechanical, exchange or protective properties suited to the specific needs of the final users.

Hence, the definition does not depend on the raw material, the fibre or the technology used, but on the end-use of the product itself.
The Messe Frankfurt, which is the world wide leader of technical textiles trade fairs with "Techtextil", has identified 12 major markets (1):

In fact technical textiles are part of a wider field that David Rigby Associates terms the "engineering of flexible materials" (2), including foams, films, powders, resins and plastics. They are also a key component of composites which could be defined as a combination of two or more materials differing in form or composition with, in general, a matrix that could be in fibres, and a reinforcement stronger than the matrix.

2.2 Facts and figures

2.2.1 The EU textile and clothing industry

According to the latest EURATEX estimates, in 2011 the EU T&C industry reached a turnover of EUR 171.2 billion thanks to its nearly 187 000 businesses employing more than 1.8 million workers. The size of the companies is quite low (textile: 13, clothing: 9, total: 10) which explains why they principally trade within the internal market while the Community Extra-EU exports reached EUR 38.7 billion or 22.6% of the global sales.

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<tbody>
<tr>
<td>Clothing</td>
<td>304.0</td>
<td>77.5</td>
<td>131.4</td>
<td>1 117.9</td>
<td>67.7</td>
<td>18.4</td>
<td>– 49.32</td>
</tr>
<tr>
<td>Textile</td>
<td>166.5</td>
<td>93.9</td>
<td>55.5</td>
<td>716.4</td>
<td>25.4</td>
<td>20.3</td>
<td>– 5.06</td>
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<td><strong>TOTAL</strong></td>
<td><strong>470.5</strong></td>
<td><strong>171.4</strong></td>
<td><strong>186.9</strong></td>
<td><strong>1 834.3</strong></td>
<td><strong>93.1</strong></td>
<td><strong>38.7</strong></td>
<td><strong>– 54.37</strong></td>
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Source: EURATEX revised data on members data and EUROSTAT - 2011

2.2.2 The EU technical textile industry

In its previous opinions on the textiles sector, the EESC has pointed to technical textiles as one of the most promising field of activity for European textiles companies, especially SMEs. EU industry plays a leading role in developing technical textiles already (3). This industry, thanks to its high innovation capacity, offers a potential for direct and indirect jobs and growth in the EU.

2.2.2.1 A subsector of textiles

The technical textiles industry in the EU represents, according to EURATEX, roughly 30% of the total turnover in textiles (excluding clothing), i.e. EUR 30 billion (it could be a higher market-share in some Member States like Germany: 50%, Austria: 45%, or France: 40%), 15 000 companies and 300 000 employees. Certain analysts consider that other parts of the EU industries should be added: a part of the textile machinery industry as well as the "textile" part of the manufacturing activities of other sectors like tyres or the revetment of roads or buildings with geotextiles. This is why the size of the EU technical textile industry as a whole could be even larger (up to EUR 50 billion).


(3) — Supplementary Opinion on the Communication The future of the textiles and clothing sector in the enlarged European Union (CCMI/009), adopted on 7 June 2004, rapporteur: Nollet.
— Opinion on the Communication The future of the textiles and clothing sector in the enlarged European Union (INT/220), adopted on 1 July 2004, rapporteur: Pezzini.
2.2.2.2 The EU in world-wide fibre consumption

Worldwide, the development of technical textiles production is illustrated by fibre consumption. Technical textiles consumed worldwide about 22 bn tonnes of fibres in 2010, representing 27.5% of a total consumption of 80 bn tonnes for all textile and clothing applications. Europe accounts for about 15% of the global consumption of technical textiles, as evaluated by CIRFS (European Association for man-made fibres).

<table>
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<tr>
<th>Fibre consumption (000 tonnes)</th>
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<tr>
<td>EU</td>
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<tr>
<td>Americas</td>
</tr>
<tr>
<td>China</td>
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<tr>
<td>India</td>
</tr>
<tr>
<td>Rest Of the World</td>
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<tr>
<td>World Wide</td>
</tr>
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<td>Source: CIRFS, Edana, JEC</td>
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The EU market share in value is more important: it varies from 20% to 33% of the main sub-segments of the USD 230 billion world technical textile market including non woven and composites.

<table>
<thead>
<tr>
<th>WORLD TECHNICAL TEXTILE MARKET STRUCTURE - 2011</th>
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<tr>
<td>2011</td>
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<tr>
<td>------</td>
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<tr>
<td>Technical textiles</td>
</tr>
<tr>
<td>Non woven</td>
</tr>
<tr>
<td>Composites</td>
</tr>
<tr>
<td>Total</td>
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</tbody>
</table>

Source: INDA, Freedonia Group, IFAI, JEC

2.2.2.3 The EU-27 technical textiles exports to world in 2011

The top five exporters of technical textiles (DE, IT, FR, UK, BE) do represent 60% of the total exports to the world by the Member States. Moreover, the Member States whose technical textiles represent the highest share of their textiles exports (excluding clothing) are Finland, Denmark, Sweden, Czech Republic and Hungary (See Appendix 1: Share of Technical Textiles in 2011 textiles exports to world by Member State).

2.2.3 Recent trends in the EU technical textiles industry

2.2.3.1 The growth of non-wovens and of composites

In the past decade, the sector has grown by 22% as shown in the following figure presenting the development of fibre consumption by use (excluding fibreglass).
The technical textile sector is undergoing significant industrial change with the growing importance of new applications (medical, sport and leisure, aeronautics, environment), and a radical move from traditional technologies (knitting, weaving, braiding etc.) to more recent ones (like composites or nonwoven technologies).

Growth in Europe is mainly driven by two technologies:

— Nonwoven with a growth rate of 60% over the past decade.
— Composites with a growth rate of 75% over the past decade.

2.2.3.2 A key position on three markets

"The top three applications areas in Europe also accounted for over 50% of total consumption, but in this case the areas were Mobiltech, Hometech and Indutech." (David Rigby Associates (4)).

2.2.3.3 Euromed partnership

The EU textile and clothing industry has established a successful industrial partnership with the Euromed countries such as Morocco, Tunisia, Egypt in the fashion pipeline. Thus, lies for the future the opportunity to promote the EU investments on some technical textiles markets that are more mature, have a lower technological content, and are more sensitive to the price pressure from Asia. In this regard, the situation of Turkey should be considered separately. Turkey is a key-player in the Euromed Fashion pipeline and has a powerful integrated textile industry, from raw material (cotton or synthetic fibres) to garments or home textiles. An increasing number of Turkish companies are active on technical markets (10% to 15%) and domestic consumption is dynamic.

2.2.3.4 High innovation capacity sector

Recent research in Germany did confirm that the technical textiles companies belonging to this cross-sectoral branch and material supplier to several industrial segments have a high innovative capacity realising more than 25% of their turnover from new innovative products, ranking third after automotive and electronics industries. (Source presentation of Mr Huneke during the 1st EURATEX Convention, Istanbul).
2.3 A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis

2.3.1 Strengths and opportunities

2.3.1.1 Strengths:

— an increasing level of R&D and innovation within the companies, whatever their size;

— efficient collective tools to support innovation at national level (textiles clusters, R&D centres ...), particularly in Germany, France, Belgium, Italy, Spain, Netherlands, Poland;

— efficient collective tools at EU level: the T (Textile) and C (Clothing) technology platform with many collaborative projects that have led to cross-fertilisation between applicative markets, textile companies and researchers; a European network involving the main textile technology institutes (Textranet) university networks (AUTEX) as well as a network involving the main innovative textiles regions;

— EU leaders in growing markets (Freudenberg, or Fiberweb for the nonwovens for instance);

— leading position of the EU in textile machinery manufacturing with 75% of the global market;

— the diversity of end-uses which is an asset in a period of low growth;

— a strong encouragement for personal protective equipment (PPE) considered by the EC as one of the six leading markets;

— better financial ratios in general than the other textiles and clothing companies (more value-added per employee, higher cash flow, higher level of margin ...);

— control of the leading worldwide trade fair (Techtextil).

2.3.1.2 Opportunities:

— growing needs of textiles solutions from the end-users: comfort and monitoring solutions for active lifestyle, carbon emission reduction in transport (through reduced weight) and building (through thermal insulation), improvement of medical technology (nosocomial disease prevention, implants, health monitoring) ...;

— close cooperation between producers and customers in order to address very specific needs ("tailor-made solutions") and demand-driven innovation;

— growing demand for recyclability improvement, like for instance the replacement of foam by nonwovens, composite materials and in-vehicle cabin air filters;

— quick growth of technical textile consumption per capita worldwide and especially in China, India and Brazil.
2.3.2 Weaknesses and threats

2.3.2.1 Weaknesses:
— small and medium-sized companies with limited capacity for investment;

— more difficult access to credit;

— lack of attractiveness of the textile industry for young graduates;

— decline in production of natural and man-made fibres in the EU, leading to difficulties in innovating with the low number of grades of fibres available and an increasing risk of dependencies on imports;

— at the moment low recyclability of technical textiles compared to traditional materials;

— a high energy-intensive industry;

— specialisation on mature applicative markets, such as Mobiltech (with the critical situation of the EU car manufacturing industry) or Hometech particularly for carpets, furnishing fabrics and mattresses.

2.3.2.2 Threats:
— scarcity of raw materials and increasing prices (mainly synthetic, regenerated or inorganic fibres, polymers, spun yarns and filament yarns);

— increase in energy costs (gas and electricity) in the EU that could lead to a relocation in the United-States or in Asia of the production plants for the more energy-intensive producers (man-made fibres, non woven, dyers and finishers …);

— growing competition from emerging countries and increasing market access barriers to those countries. Asia is already the first production region in tonnage in 2010 having multiplied by 2.6 times its production value;

— growing pressure on prices, particularly on mature markets;

— increasing risk of counterfeiting and copies.

3. The contribution of this dynamic sector to the challenges of the 2020 strategy

3.1 A smart growth

A smart growth will be based on a more innovative EU industry with a more efficient use of energy, new materials, ICT (Information and Communication Technology) support, and competitiveness on the part of companies, including SMEs.

The technical textiles sector can contribute proportionally to this smart growth in various ways:

— promoting best practices of transfer of technologies from one sector to another (cross-fertilisation);

— undertaking efforts to increase the energy-efficiency of the production;
— the ability to combine technological innovation and non-technological innovation: a lumbar belt should be efficient but also nicely designed for the patient;

— the capacity to foster creativity in the conception, the use and the end of life of the products/materials;

— the experience of upgrading the qualification of employees in order to conquer new markets …;

— a dissemination of ICT in the every day life thanks to the smart textiles which are textiles communicating with their environment: "smart clothing" for elderly people monitoring and conveying critical physiological data to hospitals will help them to stay at home for example.

3.2 An inclusive growth

The EU technical textiles sector showed in a recent past a positive pace for job creation in many Member States with already some cases of labour and skills shortage that should be tackled.

An inclusive growth in the EU will maintain and develop our social model based on a high level of standards, a tradition of social welfare and a strong tradition of social dialogue. Vulnerable industries, territories and people should pay a particular attention in the EU policies and at national level in order to ensure that they benefit from economic growth, technological progress and innovation in their every day life.

The technical textiles sector can contribute at its scale in various manners to this inclusive growth:

— the ability to put on the market suitable and innovative goods and services for disabled, sick or elderly people: tailor-made garments, anti-fall garments, specific equipment for sports and leisure;

— the ability thanks to customisation to bring answers to demographic and social changes that generate increased demand for more sophisticated and personalised products and services (see some projects in the Prosumer.net - European Consumer Goods Research Initiative).

3.3 Sustainable growth

Sustainable growth in the EU means an energy- and resource-efficient economy with a capacity to meet its commitments in the fight against climate change and upcoming resource scarcity. The former is usually coined as "low-carbon economy", which refers to reducing CO₂ emissions. However, the technical textiles sector demonstrates a first example for a potential move towards an economy with carbon as resource.

The technical textiles sector can contribute proportionally to a sustainable growth in three major ways:

— by reducing emissions of CO₂ thanks to lighter materials in transports (composites for aeronautics and carbon fibres for cars);

— by offering concrete textiles solutions, for example in the fields of filtration, reinforcement and insulation for improving the energy efficiency in the housing and building sectors;

— by recycling PET from plastic bottles to produce polyester.

For the potential sustainable branding of technical textiles, EU companies should be encouraged to:

— consider eco-design when designing products and ways of production;

— perform life-cycle assessments (LCAs) of their products, which will play an increasingly important role in the future because until now traditional materials like metals are often cheaper to recycle.

Three main issues related to carbon fibres are pending:

— the first one is to develop, in anticipation of the end of petroleum age, a EU recyclable carbon fibre based on natural fibres (5);

— the second is to develop methods for recycling that would allow the complete recycling of textiles consisting of blended fabrics (80-90%);

— the third one, of a more ambitious nature, will be to support industry and the scientific community in developing suitable processes for using carbon from CO₂ as resource, e.g. by transformation through accelerated photosynthesis or other approaches. Research is already undertaken in the context of other applications, but should be intensified (towards a "CO₂-economy" (6)).

[See in Appendix 2 a qualitative comparison of the environmental impacts of traditional materials versus technical textiles in 3 examples.]

4. The key factors of success that need to be encouraged at EU level

4.1 Upgrading and transmitting skills and know-how

4.1.1 The role of education is key for the development of this sector: universities, engineering schools in textiles, plastics, flexible materials, and so on. EU companies need to have access to young professionals with the required skills for these new markets: a more qualified workforce, engineers with various skills in textiles, but also in chemicals, plastics and resins, car manufacturing, construction, and so forth.

The role of training and qualification for the employees is also key. A priority should be given at national level to a shift of the more relevant skills from mature markets to growing markets.

(5) This path, however, has limitations due to the required land and conflicts with food production (as occurred in the context of biofuels already).

For this reason, the European Economic and Social Committee supports the work done by the sectoral European Skills Council Textiles-Clothing-Leather (ESC-TCL), which was set up in 2011 by the social partners with the financial support of the European Commission, and asks this Council to assess the specific skill needs of technical textiles companies.

4.1.2 Given the fact that the rapid development of new applicative markets is rather recent, there is a need to promote the new opportunities for jobs in this sector. The project to link the various existing Observatories of skills and jobs should be encouraged. This promotion task is particularly urgent because of the bad image of the textile industry.

4.2 The access to non-technological and technological innovation and the means to bring to market new products and services

In Horizon 2020 for the period 2014-2020, the European Commission has identified three main priorities:

— societal challenges;
— leadership in enabling and industrial technologies;
— excellence in the science base.

The European Economic and Social Committee supports the key changes of Horizon 2020, compared to the former FP7:

— raising industry and SMEs’ participation and benefits;
— more smaller projects with fewer administrative burdens (maximum duration of 2 years, 3 to 6 partners);
— a clear commitment to innovation support, including non-technological innovation.

4.2.1 The Economic and Social Committee supports COSME because it offers means to help SMEs in the consumer goods sector to bring to market innovative consumer goods through market replication projects and initiatives using new business models.

4.2.2 On the basis of the experience of the various collective tools at national and EU levels (already mentioned), some specific needs have emerged for this sector:

— developing a simple, SME-friendly form of communication concerning R&D programmes linked to new products and to new materials because a large part of them have textiles connections;
— support of industry-academia research collaboration and innovation structures (EU Technology platform for the Future of Textiles and Clothing, councils and networks at national level, innovative clusters at regional level …);
— ensure communication and interaction between such structures across the EU and similar structures in other industries to foster cross-sectoral innovation;
— proposing new, ambitious funding in Horizon 2020 for textile recycling (both waste from production and finished products), in order to improve the recycling performance of textiles compared to those of the paper, or glass industries. The revision of the waste directive is an opportunity to organise the textile recycling sector;
— intensify research on approaches for CO₂ as resource, including accelerated photosynthesis.

4.3 The challenge of access to finance

4.3.1 The access to funding from banks

The implementation of the new solvency rules of Basel III (7) will lead to more restrictive credit activity in the banking sector because of the higher level of share-holders equity required by bank regulation authorities. This limitation on credit will have a strong impact on SMEs, in particular in industrial sectors.

The access to funding for various investments (investments in machines, new technologies, external growth, purchase of patents, etc.) is a key factor for the development of technical textiles in the EU.

The access to funding from banks is generally more difficult for SMEs having a rather low level of equities (own funds) which, on top of it, could be put at a disadvantage by a negative sectoral rating.

4.3.2 Access to funding outside banks

The share of non-bank funding in the economy is limited in the EU compared to the USA: 1/3 versus 2/3. Thus efforts aimed at fostering access to financial markets for SMEs and promoting business angels and equity funds should be encouraged.

Technical textiles companies have certain features that could attract private investments: they are often family businesses; their leaders are often engineers, with scientific backgrounds (like for instance certain French start-ups launched by surgeons in order to develop specific surgical yarns and prostheses); and the share of turnover invested in R&D is higher than in the so-called "traditional industries" (see above 2.2.3.4).

(7) These are the new capital and liquidity rules for banks.
4.4 The protection of Intellectual Property Rights (IPR) inside and outside the EU

SMEs generally underestimate the value of their intangible assets. They should be helped to protect their Intellectual Property Rights (IPR), especially in the field of patents, brands, while models and designs are more important for the Fashion and Home markets.

The European Economic and Social Committee makes a plea for rapid implementation of the European patent, which will bring simplicity and uniform, affordable protection for the EU’s innovative SMEs within the limits of "patentability" (specific SWOT analysis for the type of innovation, market and profile company).

At the global level, European companies are the victims on a large scale of copying and counterfeiting. The European Commission should help them to protect their rights in major emerging markets such as China, India, Brazil or Mexico. The problems of protecting brands, designs and models are already well known in the creative industries. Protection of patents for textile machinery, new fibres and new processes adding new functionalities should be reinforced in the IPR Action Plan of the European Commission.

4.5 Access to public procurement in the EU and abroad

Public procurement represents a powerful lever to create jobs, encourage sustainable development and stimulate innovation within the technical textiles business (§). In the EU the requirements should include economic, social and environmental criteria. Public buyers should be actively encouraged and trained in how to "mitigate" price criteria and extra-price criteria (practical guidelines).

Access to European public procurement should be limited for foreign companies operating from abroad not in compliance with EU social and environmental standards, and access to foreign public procurement should be improved for EU companies.

The European Economic and Social Committee supports the proposal for regulation dated 21 March 2012 which aims at full reciprocity between the access to EU public procurement for non-EU companies and access to non-EU public procurement for EU companies (§).


4.6 Access to third markets

DG Trade is now fully aware of the offensive interests of the entire EU textile and clothing industry, and the EC is already attentive to understanding and eliminating the various tariff and non-tariff barriers.

The European Economic and Social Committee asks DG Trade to take into account, in the ongoing and future bilateral negotiations (India, Canada, Japan, USA ...) the specific needs of technical textiles:

— by paying more attention to investments (and not only exports);

— by paying more attention to all those customs headings which are not specifically included in Chapters 50 to 63 (from yarns to garments), for instance glass fibres fabrics (HS 70.19) or non-woven hygiene products (HS 96.19);

— by further investigating the problems faced by EU companies in their access to public procurement abroad in fields such as workwear, hospitals, etc.:

— by including, for instance, in a future Transatlantic agreement, some commitments on standardisation.

4.7 Access to critical raw materials

More than 80% of the fibres used in technical textiles are synthetic. Some of them are available in large volumes and at affordable prices, like polyester, while others, like carbon fibres, aramide, glass fibres or high tenacity yarns, are more costly and generally produced outside the EU.

The EU technical textiles industry is dependent upon non-EU suppliers that could be tempted by restrictive trade measures, as was the case with India in 2011 with restrictive trade measures on cotton raw material and on cotton yarns.

For this reason the European Economic and Social Committee asks the European Commission to:

— take into account, where necessary, the critical raw materials for technical textiles in its raw materials "diplomacy";

— encourage production of natural fibres - flax, hemp, wool, cellulose fibres - and biopolymers, so as to secure for the textile industries home-grown resources in raw materials.
5. Appendix 1

Share of Technical Textiles in 2011 textiles exports to world by Member State (excluding clothing)

<table>
<thead>
<tr>
<th>Member State</th>
<th>Share TechText in Textiles only exports</th>
<th>Export size €</th>
<th>Share in total</th>
<th>Member State</th>
<th>Share TechText in Textiles only exports</th>
<th>Export size €</th>
<th>Share in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>21 %</td>
<td>545 836 380</td>
<td>2.5 %</td>
<td>LT</td>
<td>39 %</td>
<td>178 787 500</td>
<td>0.8 %</td>
</tr>
<tr>
<td>BE</td>
<td>28 %</td>
<td>1 664 943 280</td>
<td>7.5 %</td>
<td>NL</td>
<td>31 %</td>
<td>1 499 620 840</td>
<td>6.8 %</td>
</tr>
<tr>
<td>BG</td>
<td>23 %</td>
<td>94 353 020</td>
<td>0.4 %</td>
<td>PL</td>
<td>42 %</td>
<td>723 561 280</td>
<td>3.3 %</td>
</tr>
<tr>
<td>CZ</td>
<td>46 %</td>
<td>1 075 687 960</td>
<td>4.9 %</td>
<td>PT</td>
<td>23 %</td>
<td>383 053 520</td>
<td>1.7 %</td>
</tr>
<tr>
<td>DE</td>
<td>37 %</td>
<td>5 471 826 120</td>
<td>24.8 %</td>
<td>RO</td>
<td>24 %</td>
<td>237 749 020</td>
<td>1.1 %</td>
</tr>
<tr>
<td>DK</td>
<td>55 %</td>
<td>696 198 480</td>
<td>3.2 %</td>
<td>SE</td>
<td>65 %</td>
<td>558 986 660</td>
<td>2.5 %</td>
</tr>
<tr>
<td>EE</td>
<td>40 %</td>
<td>44 819 560</td>
<td>0.2 %</td>
<td>SK</td>
<td>36 %</td>
<td>262 766 180</td>
<td>1.2 %</td>
</tr>
<tr>
<td>FI</td>
<td>61 %</td>
<td>201 378 760</td>
<td>0.9 %</td>
<td>SL</td>
<td>37 %</td>
<td>221 994 210</td>
<td>1.0 %</td>
</tr>
<tr>
<td>FR</td>
<td>35 %</td>
<td>1 781 833 080</td>
<td>8.1 %</td>
<td>SP</td>
<td>28 %</td>
<td>963 521 670</td>
<td>4.4 %</td>
</tr>
<tr>
<td>GR</td>
<td>16 %</td>
<td>106 778 290</td>
<td>0.5 %</td>
<td>UK</td>
<td>40 %</td>
<td>1 683 055 490</td>
<td>7.6 %</td>
</tr>
<tr>
<td>HU</td>
<td>47 %</td>
<td>356 668 170</td>
<td>1.6 %</td>
<td>Other 5 (*)</td>
<td>65 %</td>
<td>712 194 990</td>
<td>3.2 %</td>
</tr>
<tr>
<td>IT</td>
<td>23 %</td>
<td>2 608 481 980</td>
<td>11.8 %</td>
<td>EU Countries</td>
<td>33.3 %</td>
<td>22 074 096 440</td>
<td>100 %</td>
</tr>
</tbody>
</table>

(*): Cyprus, Ireland, Luxembourg, Latvia and Malta
Source: EURATEX calculation on CITH data

6. Appendix 2 Qualitative comparison of environmental impacts of traditional materials versus technical textiles in 3 examples

February 2013, IFTH – The French Textile and Apparel Institute

Detailed and scientifically based environmental comparisons are preferably done using LCA (Life Cycle Assessment). One major drawback of this tool is the amount of data to collect and to exploit, and also the important number of hypothesis which can be used, making difficult to compare and interpret LCA between them.

In order to give an insight of the environmental interest of using technical textiles, we gather, as example, the results of Life Cycle Assessment comparing textile material with traditional materials in 3 different applications. These applications were chosen among building and transportation products. Those 2 sectors, together with food and beverage, account for 70 to 80 per cent of the whole life cycle impact of products in Europe (Environmental Impact of Products (EIPRO), Analysis of the life cycle environmental impacts related to the final consumption of the EU-25 (http://ec.europa.eu/environment/ipp/pdf/eipro_report.pdf)). Results presented are based on the normalized value (except for the third one for which the normalised value was not calculated in the study) and concern for the major environmental impact for each product. The results show some significant advantages in terms of better environmental performance of technical textiles.
6.1 Building - Insulation

Source: Defra, 2008, Life Cycle Assessments of Natural Fibre Insulation Materials

6.2 Building – Water tank

6.3 Air Transportation – Structural Tube

Results given for the whole lifecycle for 10 000 km.


Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE
Opinion of the European Economic and Social Committee on 'EU Arctic Policy to address globally emerging interests in the region — A view of civil society' 
(2013/C 198/04)

Rapporteur: Mr HAMRO-DROTZ

At its plenary session on 11 and 12 July 2012, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

EU Arctic Policy to address globally emerging interests in the region — a view of civil society.

The Section for External Relations, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 27 March 2013.

At its 489th plenary session held on 17 and 18 April 2013 (meeting of 17 April) the European Economic and Social Committee adopted the following opinion by 163 votes to 1, with 6 abstentions.

1. Summary

1.1 The Arctic is undergoing a period of profound change. Climate change is having a significant impact on global warming and a shrinking ice sheet in the region, which are in turn affecting weather conditions and environmental changes around the world. At the same time, they are having an impact on the global economy, because they present new opportunities for economic activity in the resource-rich region. The world’s gaze has turned to the Arctic region, whose fragile ecosystem and population require proper protection and attention. These changes may have geopolitical consequences.

1.2 The EESC calls on the EU to provide a clear Arctic strategy and a credible commitment to cooperation with the Arctic states. The Arctic is of huge importance to the EU and the EU has a lot to contribute to Arctic cooperation. The Committee calls for investment in responsible economic activity based on cold climate expertise and for development of infrastructure. It also calls for cooperation to continue on research into climate change and for a determined effort to protect the region’s fragile environment.

1.3 The position of the Arctic Council as well as the EU’s position in the Council should be strengthened. Civil society should be broadly involved in Arctic cooperation. There is a need for more openness and a determined effort to improve communication in Arctic cooperation.

1.4 The public hearing it held in northern Finland (Rovaniemi) in cooperation with the University of Lapland’s Arctic Centre (1) was of great value to the EESC. The Committee aims to contribute to Arctic cooperation and to EU Arctic policy, and to strengthen its links with civil society in the region.

2. Main views and recommendations of civil society

This opinion presents the views and recommendations of EU civil society organisations on EU Arctic policy, with particular reference to the Joint Communication from the Commission and the High Representative for Foreign Affairs of June 2012 and the related joint staff working document (2).

2.1 The Arctic’s strategic importance has grown considerably, and there is increasing interest in the region globally. It is therefore vital that the EU finalise its Arctic policy as soon as possible, so that it can take part as a credible and constructive player and initiator in cooperation in the Arctic region. The EU needs to demonstrate its commitment to the Arctic and to cooperation in the region. Consideration should be given first and foremost to the northern parts of the EU’s Arctic member states and to solidifying cooperation with the Arctic states, above all with neighbouring countries in Europe (including Greenland). The situation requires a fully developed Arctic strategy from the EU.

Concentrating EU resources earmarked for the Arctic region in one place or coordinating them effectively, and including a heading for the Arctic region in the EU budget, are needed to ensure credible implementation of an EU Arctic policy/strategy.

2.2 The EU’s Arctic policy/strategy and the strategies of the Arctic states should be consistent with one another. Arctic governance should be developed and implemented on the

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(1) The University of Lapland is the EU’s northernmost university, www.ulapland.fi; www.arcticcentre.org.
basis of constructive cooperation with those countries and key partners. Arctic cooperation and coexistence should be based wherever possible on international agreements and cooperation in international organisations (including the UN, the IMO, the FAO and the ILO). Cooperation is made easier by the fact that the participating countries would have ratified the most important of these agreements with a bearing on the Arctic.

2.3 The race now under way in the Arctic must not be allowed to escalate into conflict. The EU should promote dialogue on an international legal mechanism for dispute resolutions which would be binding to all the parties involved. This is one reason why, as proposed back in 2010 and endorsed by the European Parliament (3), an Arctic summit should be organised under the aegis of the Arctic Council as soon as possible giving key players interested in the region and in cooperation a chance to discuss the region's future and seek a common understanding of principles for collaboration there. It would make sense to also hold such summits on a regular basis in the future, and successful cooperation between players in the Arctic will require effective tools, such as a shared communication and monitoring network based on modern technology.

2.4 The EESC agrees that the position of the Arctic Council should be strengthened and that it should have a mandate to operate as an international forum for negotiations on key Arctic issues. Successful cooperation in the Arctic Council depends on all Arctic states being treated equally.

The EU should have a stronger position in the Council, because this would allow it to better contribute to the Council's work and to boost the Council's influence through its participation. The EU has a lot to contribute to cooperation. One possible way to strengthen EU's position is to become an observer entity and the Arctic EU member States should take action amongst the 13 member regions (in Norway, Sweden, Finland and Russia) of the resource-rich Barents region. The EU should promote cooperation among and use the expertise of different regional cooperation forums, including those mentioned in section 4, such as the Nordic Council of Ministers, the Council of Baltic Sea States, or the Nordic-Baltic Eight.

2.5 The EESC agrees on the need for more comprehensive and credible data on climate changes taking place globally and in the Arctic, whose environmental conditions are unique and whose ecosystem is fragile. There should continue to be a determined focus on scientific research and monitoring in relation to climate change and ecological, environmental and meteorological issues. The Arctic Climate Impact Assessment (ACIA), the Snow, Water, Ice and Permafrost in the Arctic (SWIPA) assessment, the Ice2Sea programme the EU Arctic Footprint and Policy Assessment Project and participation in the Sustaining Arctic Observing Networks (SAON) can serve to catalyse research cooperation in the Arctic. The EU's established, well-functioning research and monitoring cooperation networks should be made more effective in order to deepen knowledge and boost capacity.

2.5.1 So far the focus of research has largely been on mitigating and managing climate change in different parts of the world, but climate change and its consequences already seem to have reached a tipping point beyond which they can hardly be halted (4). There should therefore be more emphasis on research into preservation of Arctic environment and sustainable management of natural resources as well as adapting to the social and economic consequences of climate change. Research activities and results should be made public; research must cover all aspects of the issue, and it must be open and inclusive for civil society and researchers from all EU countries (see also point 2.9).

2.5.2 Arctic research should be given more emphasis in the EU's research programmes and a separate appropriation should be earmarked for it in the EU’s financial framework for 2014-2020.

2.6 The Arctic region is of considerable economic importance to the local population, to Europe as a whole and more widely. Entrepreneurship in the region, including the processing industry and rural entrepreneurship, should be encouraged in different ways, such as through initiatives like ArcticStartup and training. Investment should be promoted. When it comes to resource extraction and other economic activities, the EU should invest in technology adapted to Arctic conditions and in developing and deploying relevant cold-climate expertise. This includes offshore deep-sea drilling, mining and maritime industries, designing and building ships and machinery, and port, dockyard and transportation technology.

2.6.1 Development of infrastructure, especially rail, road, air and maritime transport as well as energy transportation networks, should also be based on technology and know-how suited to the Arctic’s harsh environmental conditions. Creating well-functioning infrastructure/logistics (both north-south and west-east) is of fundamental significance to development in the Arctic.

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2.6.2 Other important areas for development that need funding in the region include building population centres, use of IT in sparsely populated areas (distance schooling, e-healthcare) and tourism.

2.6.3 While developing the Northern Sea Route of transportation, as a cost-efficient and in some aspects safer alternative to the Southern route via Suez, the EU should take due account to environmental considerations. The EU should work towards making new shipping routes in the Arctic accessible to "innocent passage" in line with international agreements (UNCLOS), including where routes pass through different countries' exclusive economic zones. This is of crucial importance to the development of both freight and passenger traffic in the region.

2.6.4 The EU should do more to integrate these priorities into the Europe 2020 strategy for growth and its other programmes, such as Innovation Union and Horizon 2020. EU regional and cohesion policy and the Interreg and ENPI programmes are of major importance to the EU's outermost northern regions, and it is vital that they continue to reach these regions and their neighbouring regions effectively, supporting the economy and societal activity and promoting cross-border cooperation.

2.6.5 The EU also needs to invest in cooperation initiatives in the region agreed with its partners. The Northern Dimension transport partnership project needs special attention and sufficient resources, because it can encourage the development of transportation routes from the resource-rich Barents region, including to European markets. For example, it is essential to build land connections between the EU and key Arctic ports, such as Murmansk and Narvik, without delay. Such projects should be seen as very urgent (see also: 2.6.1 and 2.6.3).

Directing resources towards promoting economic activity in the region could positively affect employment, economic growth and people's well-being there.

2.7 It is essential to ensure a sustainable balance between environmental protection and economic activity in the Arctic. The EU should make a determined effort to help the Arctic countries to achieve this balance, because the region's ecosystem is particularly fragile. Activity in the Arctic should comply with the highest international standards of sustainable development that conditions in the region require. Corporate social responsibility is key, as are the OECD's Guidelines for Multinational Enterprises. Companies should operate with responsible caution especially in places of particular natural value or that are sacred to indigenous people. Fishing should also observe the same responsible caution, taking care to use deep-sea fish stocks sustainably on the basis of EU rules on high-sea fishing, the relevant FAO guidelines, Joint Communication JOIN(2012) 19 final and the accompanying staff working document SWD(2012) 182 final and possibly also the agreement under the North East Atlantic Fisheries Commission (NEAFC/CPANE) (5). This is vital to safeguarding vitality and well-being in the Arctic.

2.7.1 The EU's guidelines on and experience with environmental impact assessments and maritime policy should be actively made available for Arctic cooperation. In addition to assessing the environmental impact of economic activity, its economic impact should always be assessed as well.

2.7.2 The EU should work to ensure that the Arctic Council's new agreement on avoiding oil spills is fully implemented, and that negotiations will begin on the principles governing drilling.

2.7.3 It is also vital that negotiations on the IMO's shipping code for the polar regions (Polar Code) be concluded successfully. In terms of Arctic shipping routes, the EU should also make its Galileo satellite surveillance services available to enhance navigation and safety, combining the system with others like it where possible.

2.8 The EESC strongly supports the dialogue launched by the EU with Sami and other indigenous peoples and with interest groups in the Arctic region. There should be a determined effort to sustain and strengthen this dialogue. The cultural heritage and traditional livelihood (including reindeer husbandry) of indigenous peoples should be respected. Residents of the region mainly belong to non-indigenous groups (around 90%), however, which is why dialogue should at the same time be extended to the population as a whole. The EESC also agrees with the observation in the June 2012 Communication, that "the Arctic offers both challenges and opportunities that will significantly affect the life of European citizens in future generations". Changes in the Arctic will have an impact on people's living conditions not just there and in neighbouring regions, but also in other parts of the world (for example, economic potential, increasing incidence of extreme weather conditions caused by climate change, shifts in ocean currents, rising sea levels, drought and heavy rain and snow falls).

2.8.1 Civil society needs to be broadly and regularly involved in Arctic work alongside indigenous peoples. Various social stakeholders, including business, employees and environmental conservationists, should be involved in both multilateral and EU activities relating to the Arctic. Dialogue, round-table discussions and hearings should be arranged with various civil society groups.

(5) EESC opinion OJ C 133, 09.05.2013, p. 41.
2.8.2 The EESC recommends that the EU work to improve
civil society participation on several levels:

— each Arctic country should involve key civil society partners
in its Arctic work;

— key civil society partners should be given a stronger
advisory role in the Arctic Council and the Barents Euro-
Arctic Council on issues concerning civil society;

— the EU should include dialogue with the key EU civil society
partners in its own forthcoming Arctic policy/strategy.

2.8.3 The EESC’s aim is to take part in this work, presenting
the views and proposals of organised civil society in the EU. The
EESC also intends to strengthen its ties with civil society in the
Arctic both within and beyond the EU’s borders. The aim is to
support the voice and organised representation of civil society
in the Arctic countries. Steps also need to be taken to ensure
that scope is created for sub-regional and local players to
express their views at EU level.

2.9 The EESC agrees with the view that much more trans-
parency and public information on the Arctic and
cooperation in the region is needed. The EU should therefore
call for an effective communications strategy for Arctic
cooperation. To this end, the EESC fully supports the
proposal put forward by the Commission in 2008 (6) and
noted by the Council of Ministers in 2009 (7) and later by the
European Parliament (8), to set up an EU Arctic
Information Centre. It would primarily be responsible for
providing information on the results of research and other
activities linked to cooperation in the Arctic. This initiative is
important expressly in terms of increased transparency. The fact
that the European Commission has tasked the University of
Lapland’s Arctic Centre with carrying out the preparatory
work for the centre is welcome. The Information Centre
could operate as a network, with participation by Arctic
research and communications bodies from Europe and else-
where. Civil society should also play a role here.

3.1 Key features of the Arctic region

3.1.1 Most of this region consists of the Arctic Ocean, which
is mostly covered in ice – the North Pole is located in the
middle of the Ocean. The Barents Sea, the Kara Sea, the
Greenland Sea, the Norwegian Sea, the Beaufort Sea, the
Laptev Sea and certain other named sea regions are all part of
the Arctic Ocean. The Arctic Ocean is surrounded by contin-
ental shelves. Eight Arctic states – Canada, Denmark (including
Greenland), Finland, Norway (including Svalbard), Russia,
Sweden and the United States (including Alaska) – are partly
situated north of the Arctic Circle and have large amounts of
Arctic territory. Iceland just touches the Arctic Circle. At least
five of these countries – Norway, Russia, Canada, Denmark/
Greenland and the United States (the "Arctic Five") – have a
coast on the Arctic Ocean. The Arctic states include three EU
Member States: Finland, Sweden and Denmark. Norway and
Iceland are non-EU parties to the EEA, while Iceland has
applied for EU membership. The United States, Russia and
Canada are strategic partners of the EU. Greenland is part of
Denmark but has enjoyed far-reaching self-rule since 2009: it is
not part of the EU but does have a partnership agreement with
it.

3.1.2 The Arctic covers 14.5 million km² and has a popu-
lation of around 4 million people (most of them in Russia),
some 10% of whom belong to indigenous groups (e.g. Sami,
Inuit, Nenets, Aleut, Athabascans and Gwich’in). The Sami of
Finland and Sweden are the only indigenous people living
within the borders of the EU. Murmansk, situated in the
northwest of Russia, is the Arctic’s largest port (9). The region
has functioning communities and community planning, one
example of which is the Regional Council of Lapland’s rural
development programme for 2014-2020 (10). Agriculture,
forestry, fur farming and different forms of business suited to
the Arctic’s harsh climate are also practised in the region.

3.2 Key challenges in the Arctic region

3.2.1 The Arctic has traditionally been a stable region, and
coe-existence between the Arctic states is based on constructive
cooperation and trust. The Arctic has an important geopolitical
status, and interest in the region has grown considerably in
recent decades in the Arctic states, in Europe and around the
world. For various reasons, the region is undergoing a period of
profound change.

3.2.2 Worldwide anthropogenic climate change, mainly
global warming, is exceptionally significant and rapid in the
Arctic. It is causing the ice sheet to melt and the permafrost
to thaw, which in turn is speeding up the greenhouse gas effect
worldwide (partly due to release of methane gas). The
greenhouse gas effect is causing extreme weather conditions


(6) European Commission communication on The European Union and

(7) Council conclusions on Arctic issues, 2985th Foreign Affairs Council
meeting, 8 December 2009.

(8) Resolution of the European Parliament on A sustainable EU policy for
the High North, 20.1.2011.

(9) For an up-to-date overview of the Arctic region and its governance,
see Arctic Governance: balancing challenges and development, Regional
Briefing, European Parliament, DG for External Policies of the
Union, Policy Department. Fernando Garcia de los Fayos, DG
EXPO/B/poiDep/Note/2012_136, June 2012.

(10) www.lapinliitto.fi.

to increase, shifts in wind and ocean currents, rising sea levels, increasing incidence of prolonged drought, and heavy rain and snow falls in different parts of the world. Melting ice, particularly in the Antarctic and Greenland, may cause sea levels to rise by 1-2 metres. By September 2012 the Arctic ice sheet had shrunk by a record amount (to 3.41 million km²). Ground ice in particular is melting rapidly (around 70% has melted since 1980) and is being replaced with thin ice that lasts a year. In summer 2008 the Arctic Ocean was 65% ice-free, and large parts of it may largely melt in the next few decades (\(^{(12)}\)).

3.2.3 The region contains vast, untapped natural resources both in the ocean and on land. An ice sheet that is thinning and shrinking due to atmospheric warming, coupled with the development and deployment of new technologies, is multiplying opportunities to explore for and extract new hydrocarbon (oil, gas) and other deep-sea raw material deposits. For instance, a quarter of the world's identified gas deposits and 80% of Russia's identified natural gas deposits are in the Arctic. It is estimated that 13% of the world's undiscovered oil deposits, 30% of undiscovered gas deposits, and 20% of liquid gas deposits are to be found in the region.

3.2.4 Most of the world's largest oil and gas companies operate in the Arctic, there are already countless off-shore oil drilling sites, and new sites even further north are being sought and investigated (for example, Norway has 89 sites in the Barents Sea and will soon begin drilling at nine new sites). The increasing importance of shale energy does not make these sources any less attractive.

3.2.5 For some decades now there has been extensive mining of metals and minerals in different parts of the Arctic, which contains substantial untapped deposits. For example, 90% of the EU's iron ore output and about 20% of the world's nickel output comes from the Arctic, mainly from the Barents region. The Arctic also has significant amounts of forest, a key renewable natural resource.

3.2.6 Around a quarter of the world's fish stocks are in the Arctic. Rising water temperatures are having an impact on fish movements, which in turn affects fishing. Fishing is moving further and further north to previously unexploited waters.

3.2.7 As the ice sheet becomes increasingly fragile and atmospheric temperatures rise, there are growing opportunities to open up/new shipping routes (the Northwest Passage and the Northern Sea Route) through the Arctic Ocean to and from East Asia, routes that are about 40% shorter than existing sea routes to countries bordering the Atlantic Ocean and to Asian coastal states. This will both substantially cut the cost of traffic in transit and reduce its carbon emissions. A significant proportion of the world's ocean freight is carried on EU vessels, and around 90% of the world's ocean freight currently travels along the traditional, southern sea route. In 2012, forty-six ships travelled via the Northern Sea Route from the Barents Sea to the Bering Strait. Freight traffic is increasing, even though there are still major uncertainties surrounding use of the route, mostly in terms of navigation rules, costs, security and the extreme weather conditions in the region.

3.2.8 The economic potential is huge, and the Arctic could develop into a key region for the world economy due to its energy and raw material resources and its new maritime transport routes.

3.2.9 The environmental conditions in the Arctic are unique, and its ecosystem is fragile and vulnerable. Efforts to improve management of environmental changes and prevent man-made environmental disasters resulting from economic activity (oil spills, etc.) are a key priority in regional cooperation.

3.2.10 These changes have an impact on the living conditions of indigenous peoples and others living in the Arctic and in neighbouring regions. Changing weather and environmental conditions, clear economic opportunities and growing geopolitical and security interests are also affecting people's lives elsewhere in Europe and around the world.

3.2.11 Finding a strategic balance in the Arctic between threats and opportunities can be considered critical for the future of the entire world.

4. Key political players in the Arctic

4.1 All eight Arctic states have their own Arctic strategy (\(^{(13)}\)). They largely focus on similar priorities: the political and economic significance of the Arctic to them; the country's specific position in the region; natural conditions and the ecosystem; and the need to cooperate to develop governance of the region in a sustainable manner. All of the strategies take as a key starting-point the Arctic region's potential in terms of energy, raw materials and development of transit routes. The states have also forged bilateral relations with each other to protect and promote their common interests in the Arctic. The NATO Parliamentary Assembly issued a resolution on the Arctic in October 2012 (\(^{(14)}\)).

\(^{(12)}\) Arctic Impact Assessment, ACIA.


\(^{(14)}\) NATO Parliamentary Assembly, Resolution 396.
4.2 There are four regional cooperation forums in the North:

The Arctic Council (15) is the most important instrument of regional cooperation, and has eight members (the Arctic states, including the Faroe Islands and Greenland as dependencies of Denmark), six permanent participants (the forums for cooperation between the indigenous peoples of the Arctic countries) (16), and a large number of observers (the Netherlands, Spain, the United Kingdom, Poland, France, Germany and 18 intergovernmental organisations and NGOs). The EU, Italy, China, India, South Korea and Singapore have requested the right to be permanent observers. In recent years China has substantially increased its activity in relation to the Arctic region and to countries in the region. The member states of the Arctic Council have concluded agreements such as the maritime search and rescue agreement. There are efforts to give the Council a more important role, with wider jurisdiction and more clout as an instrument of international cooperation.

4.3 The Barents Euro-Arctic Council (17) covers European Arctic and sub-Arctic regions. It promotes cooperation in the resource-rich Barents region, which needs better transport routes to European markets and elsewhere. The Council has seven members: Finland, Norway, Sweden, Denmark, Iceland, Russia and the European Commission. The Council also hosts the Barents Regional Council (BRC) (18), which includes Barents’ 13 sub-regions and which works to facilitate pragmatic cooperation.

4.4 The Nordic Council of Ministers (19) (and the Nordic Council) has its own Arctic strategy. In the five Nordic countries, there has traditionally been close and far-reaching cooperation among themselves, as well as competence and expertise on northern conditions. Greenland takes part in this cooperation as a full member.

4.5 The Council of Baltic Sea States (CBSS) (20) maintains cooperation between the eight countries in the Baltic Sea region. The EU has its own macro-regional Strategy for the Baltic Sea Region (EUSBSR).

4.6 The Northern Dimension (21), which is a common policy of the EU, Iceland, Norway and Russia, covers a large geographical area including Europe’s Arctic and sub-Arctic regions from northwest Russia in the east to Iceland and Greenland in the west. Cooperation is based on four thematic Partnerships (NDEP, NDPHS, NDPTL and NDPC) and a separate Arctic Window. The Partnership on Transport and Logistics (NDPTL), under which a proposal for a regional transport network is currently being developed, is important in terms of Arctic cooperation. The Northern Dimension Environmental Partnership (NDEP) also plays a pivotal role in the Arctic, not least because it provided a framework for successfully cleaning up radioactive waste in the Kola Peninsula. The third meeting of Northern Dimension foreign ministers was held in February 2013 in Brussels (22). The Northern Dimension Business Council (23) primarily works to improve investment conditions in the region and make it more competitive. The United States and Canada hold observer status at ND meetings.

4.7 Parliamentarians in Arctic region countries participate in all of the aforementioned cooperation forums, and also cooperate regularly through the Conference of Parliamentarians of the Arctic Region (CPAR).

4.8 The six cooperation forums for the region’s indigenous peoples maintain regular cooperation.

4.9 The International Polar Foundation (IPF) maintains international cooperation between parties interested in Arctic issues, and in September 2012 it organised the Arctic Future Symposium 2012 at the headquarters of the Committee of the Regions.

5. Guidelines for regional cooperation

5.1 Cooperation on issues concerning the Arctic region is built as far as possible on international agreements and within international forums.

5.2 The most important international agreement concerning the Arctic region is the 1982 UN Convention on the Law of the Sea (UNCLOS) (24), which deals with ocean and sea areas between independent states, and under which the Commission on the Limits of the Continental Shelf (CLCS) was set up.

5.3 Through these agreements the states bordering the Arctic Ocean have sought to reach a common understanding on the limits of their regional territorial waters and exclusive economic zones (including 200 nautical miles beyond the continental shelf). Efforts are made to avoid territorial disputes, but some geographical points of contention are unresolved. There is a risk that disputes could escalate. In 2008 the coastal states agreed on a joint declaration in Ilulissat, Greenland underscoring the sovereign right of all the signatory countries to regulate activity within their own exclusive economic zone.

5.4 Development of potential shipping lanes – the Northwest Passage (which passes through Canada’s exclusive economic zone) and the Northern Sea Route (which passes through Russia’s exclusive economic zone) – as well as the facilities, conditions and security for using them are being extensively studied and discussed in various cooperation forums. The aim is to achieve the best possible shared understanding between parties of the principles governing the use and management of

(14) www.norden.org.
(16) www.beac.st.
(17) www.nordicpeoples.org.
(18) www.cbss.org.
(20) www.cbss.org.
(21) www.beac.st.
(23) www.arcticcouncil.org.
(24) www.norden.org.
these routes. There are international agreements on the subject, such as the **UNCLOS and International Maritime Organisation's** (IMO) (25) agreement on the right of innocent passage, while work is under way on an **IMO Polar Code**.

5.5 Issues surrounding climate change and sustainable development are of particular significance in the Arctic. The **UN Framework Convention on Climate Change** (UNFCCC) (26) remains a key starting-point for international relations. This would have very important implications for the Arctic as well.

The United Nations Environmental Programme (UNEP) (27) has launched its own Arctic monitoring programme.

5.6 Environmental protection groups are actively involved in this work. **Greenpeace** has proposed that economic activity not be allowed unconditionally in the Arctic without prior agreement on the principles for protecting the region.

6. EU activity and evolving Arctic policy

6.1 The EU has substantial and ever-increasing geopolitical, environmental and economic interests in the Arctic. The EU is a party to cooperation in the region, not least because of its Arctic Member States.


6.3 In 2008 and June 2012 the EU announced its intention to pursue a comprehensive approach to Arctic policy with three key objectives:

— protecting the Arctic environment in cooperation with its population

— promoting sustainable use of natural resources

— promoting international cooperation, with emphasis on the importance of international agreements.

The policy today is based on three focal areas: knowledge, responsibility, engagement.

6.4 The EU’s bilateral relations with the Arctic countries include cooperation in the region. The EU has a separate agreement with Greenland, and the multilateral Northern Dimension also plays a key role in the Arctic.

6.5 Many existing EU programmes can also be applied to the Arctic region. Over the course of 2007-2013, the EU has invested around EUR 1.4 billion to promote sustainable development in the Arctic and in neighbouring regions. Scientific research cooperation has taken priority: the sixth framework agreement for research which began in 2002 included Arctic-related projects. In recent years the EU has invested over EUR 200 million in Arctic-related research, and it is involved in many joint projects, mainly as part of its **Seventh Framework Programme for Research** (30). There is a well-functioning network facilitating cooperation between the various research institutes (both in the EU and elsewhere). The key research projects for 2008-2012 and funding programmes for regional cooperation for 2007-2013 have been listed (31). A number of projects have been carried out in the Arctic under the EU’s regional policy, its Interreg and ETC programmes, its Regional Aid Guidelines (RAG) and its European Neighbourhood Partnership Instrument (ENPI). The Connecting Europe Facility and TEN-T do not extend to the Arctic.

The European Commission recently decided to investigate how information on Arctic research should be organised in the EU. An EU Arctic Information Centre is being considered.

6.6 The EU is a party to the Northern Dimension and a member of the Barents Euro-Arctic Council. It is an ad hoc observer in the Arctic Council and has applied for permanent observer status. The EU has been a full participant in the activities of the Council’s various Working Groups for some years now.

6.7 Members of the European Parliament attend the Conference of Parliamentarians of the Arctic Region (CPAR) (see point 3.3.7) and take part in parliamentary cooperation of the North’s four regional councils and the Northern Dimension. The European Parliament has issued two resolutions on the Arctic (in 2008 and 2011) (See footnote 9 and P6_TA(2008)0474).

6.8 The EU has launched a regular dialogue with organisations in the region representing indigenous peoples and other civil society groups, and participates in the activities of the International Polar Foundation (IPF).

(27) www.unep.org.  
(29) Council conclusions on Arctic issues, 2985th Foreign Affairs Council meeting, 8 December 2009. See also: footnote 9.  
6.9 The EESC has issued opinions with a bearing on Arctic cooperation, including opinions on the Northern Dimension, regional and maritime policy, sustainable development and relations with neighbouring countries. The EESC has institutional relations with civil society in Norway, Iceland and Russia (through the EEA-CC, the Iceland JCC, and the CCRF), and has organised two Northern Dimension forums for civil society (in 2002 and 2006) as well as a stakeholder meeting in connection with the Northern Dimension Ministerial meeting in February 2013.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE

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III

(Preparatory acts)

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

489TH PLENARY SESSION HELD ON 17 AND 18 APRIL 2013

Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament and the Council — An action plan to strengthen the fight against tax fraud and tax evasion'

COM(2012) 722 final
(2013/C 198/05)

Rapporteur: Mr DANDEA


The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 April 2013.

At its 489th plenary session, held on 16, 17 and 18 April 2013 (meeting of 17 April 2013), the European Economic and Social Committee adopted the following opinion by 169 votes to 1 with no abstentions.

1. Conclusions and recommendations

1.1 The Committee endorses the Commission's plan and supports its efforts to find practical solutions as regards reducing tax fraud and tax evasion. Real progress is possible only if the Member States devote more attention to enhancing the efficiency of their tax administrations, equipping them with sufficient financial and human resources, while ensuring better coordination between them.

1.2 The Committee recommends that the Commission and the Council include the issues of tax fraud, tax evasion and aggressive tax planning in the annual growth surveys and the European semester, and implement specific measures to combat these phenomena so as to ensure progress in the payment and collection of taxes, make taxation fairer, and help enhance the redistribution of wealth and combat poverty.

1.3 The Committee welcomes the Commission's proposals to blacklist jurisdictions that operate as tax havens, in disregard of standards of good governance in tax matters, and calls for common criteria to be established at EU level for identifying such jurisdictions, so as to prevent this being applied unevenly at national level. Such blacklisting should not be limited to third countries but should also cover jurisdictions belonging to Member States and companies operating in those jurisdictions.

1.4 The Committee believes that the Commission could complement the blacklisting proposals with sanctions for companies such as exclusion from public contracts, EU funding and state aid.

1.5 Given that it erodes the tax base and thus obliges Member States to increase taxes, the Committee believes that aggressive tax planning is an inherently immoral practice that significantly affects the functioning of the internal market and
distorts the fairness of tax systems vis-à-vis taxpayers. Given the complexity of the phenomenon, the Commission’s proposals regarding the general anti-abuse clause and the definition of an artificial bilateral arrangement should be sufficiently clear so that all Member States can easily implement them.

1.6 The Committee recognises the importance of the efforts made by the Commission to negotiate agreements on good tax governance with neighbouring countries. The Committee recommends that the Council grant the Commission a negotiating mandate, as these tools could prove extremely useful in combating tax fraud and evasion.

1.7 The Committee recommends that the Commission and the Member States continue to address the issue of simplifying and harmonising the existing legal framework at both EU and national levels. A simpler, more uniform legal framework for taxation that ensured fair taxes and was backed up by the latest IT tools for verification, control and information exchange would greatly reduce the scope for tax fraud and tax evasion.

1.8 The Committee recommends that the Commission, the Council and the European Parliament dissuade Member States from maintaining large divergences between their respective direct and indirect tax rates, which foster tax competition.

1.9 The Committee welcomes the Commission’s decision to explore the possibility of introducing a European TIN (tax identification number). The Committee reiterates its call to the Member States, made in several previous opinions, to harmonise the indirect taxation system. The Committee encourages the Commission to put forward proposals in this area. Harmonisation here, combined with the introduction of a European TIN, would hugely reduce carousel fraud.

2. Introduction

2.1 Tax fraud and tax evasion, along with tax avoidance through aggressive tax planning, are fuelling the growing inequalities generated by the economic crisis and austerity programmes, jeopardising Member States’ efforts to ensure a smooth functioning tax system to fund public services, redistribute wealth, combat poverty and prevent tax competition between Member States and third countries. The ensuing financial losses suffered by the Member States are estimated to exceed one trillion euro per year (1).

2.2 On 2 March 2012, the European Council called on the Council and the European Commission to develop practical ways to combat tax fraud and evasion.

2.3 The Commission adopted a communication in June 2012 (2) which outlined how tax compliance can be improved and fraud and evasion reduced. In this communication, the Commission announced that it would present an action plan to strengthen the fight against tax fraud and tax evasion.

2.4 In December 2012, the Commission presented the promised action plan, which includes recent initiatives as well as new measures that could be implemented in both the short and long term. This plan was accompanied by the Commission Recommendation regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (3), and the Commission Recommendation on aggressive tax planning (4).

3. General comments

3.1 The Committee endorses the Commission’s plan and supports its efforts to find practical solutions as regards reducing tax fraud and tax evasion (5). However, the Committee is sceptical regarding the implementation of some of the proposed measures, given the numerous policy divergences between the Member States, which slows down the decision-making process at Council level. Furthermore, the cuts to tax authorities’ financial and human resources (6) in most Member States through austerity measures implemented in recent years greatly jeopardises implementation of the new measures. Real progress is possible only if the Member States devote more attention to enhancing the efficiency of their tax administrations – equipped with sufficient financial and human resources – and ensure better coordination between them.

3.2 A significant proportion of the losses to the tax collection system generated by the shadow economy arise from aggressive tax planning. The Commission recognises that this practice makes use of mismatches between two or more tax systems, which, while considered a legitimate practice at global level, runs contrary to the principles of corporate social responsibility. Given that it erodes the tax base and

thus obliges Member States to increase taxes, the Committee believes that aggressive tax planning is an inherently immoral practice that significantly affects the functioning of the internal market, discouraging fair competition between companies in general and between SMEs in particular, and distorts the fairness of tax systems vis-à-vis taxpayers.

3.3 The Committee welcomes the Commission’s recommendation on aggressive tax planning, but feels that the measures proposed to counter this practice do not go far enough. Given the complexity of the phenomenon (aggressive tax planning), the general anti-abuse clause and the definition of an artificial bilateral arrangement could prove difficult to implement in the context of the agreements concluded between Member States. Furthermore, the Committee believes that these measures will raise more implementation problems for Member States than if they immediately terminated those agreements, especially those involving jurisdictions that are tax havens or do not agree on applying a set of basic rules on good tax governance.

3.4 The Commission proposes that Member States adopt a set of criteria to identify third countries not meeting standards of good governance in tax matters, and suggests that such jurisdictions could be blacklisted. The Committee points out that this measure should also include jurisdictions belonging to Member States as well as companies that continue to conduct operations involving entities belonging to those territories.

3.5 The Commission has proposed amending certain directives (Note) to close loopholes that could encourage tax fraud or tax evasion. It has also requested a mandate from the Council to negotiate anti-fraud and tax cooperation agreements with four neighbouring countries and has called on the Council to sign the draft agreement between the EU and its Member States and Liechtenstein. The Committee recommends that the Council address these proposals as soon as possible, as these tools could prove extremely useful in combating tax fraud and evasion.

3.6 The Committee believes that, in the course of implementing the action plan, the Commission and the Member States should continue to address the issue of simplifying and harmonising the existing legal framework at both EU and national levels. A simpler, more uniform legal framework for taxation that ensured fair taxes and was backed up by the latest IT tools for verification, control and information exchange – while benefiting from well-trained staff – would greatly reduce the scope for tax fraud and tax evasion. This would also reduce the administrative and tax burden for companies and individuals, with direct benefits for Member States’ revenue.

3.7 The Committee recommends that the Commission, the Council and the European Parliament dissuade Member States from maintaining large divergences between their respective direct and indirect tax rates, which foster tax competition. Furthermore, the Committee draws attention to the direct link between the level of taxes and tax evasion. Effectively combating tax fraud, tax evasion and aggressive tax planning can help lower the overall level of taxation to the benefit of all taxpayers.

4. Specific comments

4.1 The Commission acknowledges that, given the freedoms that come with operating in the internal market, businesses may structure arrangements with tax-haven jurisdictions via the Member State with the weakest response. This erodes Member States’ tax bases and endangers fair competition between companies in general and between SMEs in particular, distorting the operation of the internal market. The Committee encourages the Commission and the Member States to blacklist companies that engage in such practices. Member States should, among other measures implemented at national level, suspend the right of such companies to participate in procurement procedures or refuse to grant state aid where such applications are made.

4.2 The Commission estimates that aggressive tax planning generates half of the losses incurred by the Member States due to practices specific to the shadow economy. The Committee thinks that the measures to combat this practice proposed by the Commission (Note) do not go far enough and recommends that both the proposed general anti-abuse clause and the definition of an artificial arrangement should be more clearly drafted, so that the Member States can act quickly to implement them, without generating complicated court proceedings over aggressive tax planning.

4.3 The Committee endorses the Commission’s proposal to establish a platform for good governance in tax matters. It calls on the Commission to also invite the social partners to take part in this platform, especially those with members working in financial administrations who have valuable experience in the field of combating tax fraud and tax evasion. Furthermore, clarification is needed of the way in which this platform will interact with other EU-level bodies operating in the field of taxation.

4.4 In the context of the negotiations on the Code of conduct for business taxation, negotiations coordinated within the OECD, the Commission proposes to seek to remove provisions from existing directives that, in certain situations, provide opportunities for aggressive tax planning or prevent appropriate solutions by allowing double non-taxation. The Committee welcomes this Commission initiative and recommends that these measures be taken as soon as possible.


4.5 The Commission proposes intensifying work on special tax regimes for expatriates and for wealthy individuals, which are harmful to the internal market and reduce overall tax revenues. The Committee encourages the Member States to abolish these special tax regimes. Moreover, the Committee reiterates its call to the EU institutions (set out in previous opinions (9)) to adopt measures to prevent abuse of the principle of "residence" by means of ownership arrangements and fictitious residency, whereby holding companies not actively engaged in business, or bogus companies, allow the owners to avoid paying taxes in their country of domicile.

4.6 The Committee welcomes the launch of the "TIN on EUROPA" portal. This tool allows any third party, and in particular financial institutions, to quickly, easily and correctly identify and record tax identification numbers (TINs). It may also contribute to a more effective automatic exchange of information. Given the Commission's decision to explore the possibility of introducing a European TIN, the Committee reiterates its call to the Member States, made in several previous opinions, to harmonise the indirect taxation system. The Committee encourages the Commission to put forward proposals in this area. Harmonisation here, combined with the introduction of a European TIN, would hugely reduce carousel fraud, in the event that, in future, this were to become a unique taxpayer identifier for all types of tax.

4.7 The Committee has undertaken to standardise forms for exchange of information in the field of taxation. An IT application that was developed for using these standard forms, in all EU languages, was deployed on 1 January 2013. The Committee appreciates that these formats may play an important role in administrative cooperation between Member States on tax matters, especially once developments in IT enable the automatic exchange of information.

4.8 The Committee greatly welcomes the Commission's decision to review the Parent-Subsidiary Directive and the anti-abuse provisions of other directives. This review is necessary to ensure implementation of the Commission's Recommendation on aggressive tax planning. The Committee recommends that the Member States support the Commission's efforts, so that the review can be carried out in a reasonable timeframe. As part of this review, it is important to introduce an obligation for multinational companies to draw up separate accounts for each country in which they operate, specifying production volumes and profits made. If accounts were presented in this way, it would be easier to identify companies misusing transfer pricing or pursuing aggressive tax planning. Moreover, the Committee recommends introducing legislation on the taxation of corporate profits, based on a set of common rules.

4.9 The Committee welcomes the Commission's efforts to promote EU-developed IT tools within the OECD. Provided that they are endorsed by the OECD, the e-Forms that have been developed for the exchange of information on request and spontaneously in the field of direct taxation would be an extremely useful and effective tool in the fight against serious cases of tax fraud or tax evasion.

4.10 The Commission is proposing to develop a European taxpayers' code grouping together existing best practices in the Member States for enhancing trust and confidence between tax administrations and taxpayers, for ensuring greater transparency on the rights and obligations of taxpayers and encouraging a service-oriented approach. The Committee highlights the fact that simplifying tax systems would have the effect of reducing the administrative burden on taxpayers and companies, and instilling greater confidence amongst them. Member States could envisage reducing the administrative burden for compliant taxpayers, be they individuals or companies, and increasing it for the non-compliant. It is well known that companies engaged in aggressive tax planning are generally large multinationals.

4.11 The Commission recommends establishing one-stop-shops, to deliver all types of tax information to both residents and non-residents. The Committee agrees with this proposal and believes that such an approach would remove some of the obstacles facing taxpayers engaged in cross-border operations. Furthermore, by pooling the existing information in individual Member States' one-stop-shops, the Commission could build the European-level tax web portal along the lines of the e-Justice network.

4.12 The Commission proposes that in future EUROFISC be extended to direct taxation, building on the experience gained by this system in the area of VAT in combating fraud through the rapid exchange of information. The Committee believes that extending EUROFISC to direct taxation would complete the existing set of EU-level tools for combating tax fraud, tax evasion and aggressive tax planning.

4.13 The Committee supports the idea of aligning the definition of certain types of tax offences, including administrative and criminal sanctions for all types of taxes. Such an alignment would have the effect of discouraging companies from taking advantage of the Member State with the weakest response for conducting their operations. The Commission is proposing to explore the possibility of such an alignment.

In its June 2012 Communication, the Commission presented a series of possible measures that were not considered to be a priority by the Council. The Committee believes that ensuring direct access to national databases in the realm of direct taxation – one of the Commission’s proposals – is one of the most powerful tools that could benefit Member States in combating tax fraud and tax evasion. The Commission also proposes exploring the possibility of having a single legal instrument for administrative cooperation for all taxes. The Committee endorses the Commission’s proposals, which could increase the effectiveness of the fight against tax fraud and evasion.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE
Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Promoting cultural and creative sectors for growth and jobs in the EU’

COM(2012) 537 final
(2013/C 198/06)

Rapporteur: Mr PEZZINI
Co-rapporteur: Mr KONSTANTINOU

On 19 December 2012, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union (TFEU), on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Promoting cultural and creative sectors for growth and jobs in the EU COM(2012) 537 final.

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 March 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April 2013), the European Economic and Social Committee adopted the following opinion by 175 votes to 2 with 3 abstentions.

1. Conclusions and recommendations

1.1 The Committee believes that for Europe culture and creativity are:

— the cornerstone of the values underpinning EU identity and its social market economy model;

— a winning combination in terms of high-quality local, regional, national and EU economic, social and production-related development;

— key elements of comparative advantage in terms of European added value in the design, development, production and consumption of tangible and intangible assets;

— a key contributor to competitiveness across all economic and social sectors;

— a source of rich potential in terms of more, better jobs;

— an international calling card advertising the EU’s prestige and originality throughout the world.

1.2 The EESC believes that, given the increasingly important role of the cultural and creative sectors (CCS) in the development of the European economy and its international activities, a medium-to-long-term strategy is needed to provide:

— unlock all the potential for job creation in the cultural and creative sector and ensure high-quality jobs in an environment where fundamental rights are upheld,

— redefine existing professional skills and reskilling,

— cuts red tape for SMEs, microenterprises and the self-employed,

— support reorganisation and restructuring processes with reskilling training initiatives, within a transparent framework of worker information and consultation, with all due regard for the rights and dignity of individuals,

— promote structured social dialogue for the cultural and creative sectors as a whole, coordinated between the European, national and business levels,

— define a proper European regulatory framework that can ensure cultural diversity and breadth of choice, cut red tape and facilitate mobility within the EU and internationally;

— a technological dimension with creative added value that: protects intellectual property rights on the internal market but also, most importantly, internationally; promotes research into new technologies and innovative product and process applications; gives strong support to new digital opportunities and processes by means of a European quality label; and ensures the development of value chains through common distribution networks and systems;
— a dimension relating to territorial dialogue with civil society that: gives CCS structured European, national and subnational dialogue models; and promotes the development of the cultural and creative sectors, which are necessary for the revitalisation and skilling of local communities and enhancement of their expressive and creative talents, the intellectual professions and jobs;

— an international dimension to a creative and cultural Europe, in line with international undertakings under the Unesco Convention on cultural diversity, that can: enable it to develop new business models where design is built into the value chain and all players can add value to products and processes so that they are identifiable as products and processes of European excellence on the international markets; protect works against piracy and counterfeiting with flexible, accessible, effective instruments;

— a financial and credit access dimension to support the sector's initiatives on the internal and international markets (including by means of tax incentives, tax credits and eliminating dual taxation) and to provide instruments geared to the sector's characteristics in terms of access to credit, particularly guarantee systems geared to microenterprises and projects of an intangible nature.

1.3 The EESC calls on the Commission to carry out a detailed review of the application of the Community acquis to the CCS, particularly as regards the relevant rules of competition policy, intellectual property rights and labour laws, and the protection of clauses of international agreements signed between the EU and third countries.

1.4 The Committee proposes that the Commission look into possibilities and arrangements for holding a broad creative and cultural stakeholders forum in order to better identify all those operating in the field (also by means of a participatory foresight exercise) and set out the key points of a medium-to-long-term strategic action plan for revitalising growth and creating high-quality jobs; this action plan must be based on a cross-cutting exercise) and set out the key points of a medium-to-long-term strategic action plan for revitalising growth and creating high-quality jobs; this action plan must be based on a cross-cutting strategy, which makes it difficult to establish how much each actually contributes to GDP and employment.

1.5 The Committee calls for specific initiatives to be launched forthwith to combat precarious forms of work in the CCS, to ensure fair working conditions for all workers in the sector, particularly those carrying out freelance or atypical subcontracted activities, especially intermittent work, and to secure safe and equal access to digital networks for all.

1.6 The EESC draws the Commission's attention to the need to adapt the regulatory framework to the specific needs of the CCS, particularly in the area of intellectual property, cutting red tape in the fields of administration and taxation, and equal VAT treatment of print and digital communications, especially for the sector's small businesses.

1.7 The EESC calls for reflection on the need to put in place citizen-centred structures for dialogue with civil society, taking advantage of the European Year of Citizens.

2. The cultural and creative sectors in Europe

2.1 The cultural and creative sectors are a key strategic resource in Europe: Europe's excellence and competitiveness in the cultural and creative sectors are the fruit of the labours of artists, authors, designers, other professionals in the sector and entrepreneurs – people with talents, both traditional and innovative, and skills, both formal and informal, that should be preserved, fostered and developed.

2.2 The Committee has already pointed out that "As recognised by the EU 2020 strategy, the cultural and creative industries play a central role in growth, competitiveness and the future of the EU and its citizens. … In addition, they are generators of comparative advantage that cannot be reproduced elsewhere, factors for local development and drivers of industrial change" (1).

2.3 According to the definitions set out in the 2010 Green Paper (2), "Cultural industries' are those industries producing and distributing goods or services which at the time they are developed are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have" - in line with the 2005 Unesco Convention (3) – and "Creative industries' are those industries which use culture as an input and have a cultural dimension, although their outputs are mainly functional", including "architecture and design, which integrate creative elements into wider processes, as well as subsectors such as graphic design, fashion design or advertising".

2.4 However, the line between the areas covered by the cultural and creative sectors has yet to be clearly defined (4), which makes it difficult to establish how much each actually contributes to GDP and employment.

2.5 The proposal for a Creative Europe framework programme (5), on which the Committee has commented (6), defines the cultural and creative sectors (Article 2) as "all sectors whose activities are based on cultural values and/or artistic and creative expressions, whether these activities are market or non-market oriented and whatever the type of structure that carries them out". Explicit reference should be made to the publishing, printing and digital industries.

(1) OJ C 051, 17.2.2011 p. 43 - 49.
2.6 In 2008, these sectors accounted for 4.5% of total European GDP and employed 3.8% of the labour force, that is over 8.5 million people (7).

2.7 The European Parliament has endorsed the above definition, adding an explicit reference to museums and fashion.

2.8 Although the contribution of the cultural and creative sectors to the European economy is considerable and growing, with a substantial impact on employment (9), the multiple definitions of the sectors that exist – including those of WIPO, the OECD, UNCTAD, UNESCO and the Council of Europe – mean there are no clear bases or internationally comparable statistics on which to work: in the EU, opinion on the contribution of these sectors to GDP varies depending on the source: 2.6% (Green Paper), 3.3% (Creative Europe programme), 4.5% (7), and 6.5% (Council of Europe); with the estimated number of people employed by the sectors also varying: over 5 million, 8.5 million (10) and even almost 18 million (11).

2.9 The diversification of Europe's cultural and creative industries is reflected in the characteristics of the sector's structures, with a high proportion of small, medium-sized and micro-enterprises, which make up around 80% of overall output. Large businesses account for less than 1%, but they employ over 40% of the sector's employees (12).

2.10 This configuration of the cultural and creative sectors in Europe raises issues on a number of counts: skills development, access to finance, promotion of new business models, protection of intellectual property rights, the difficulty of gaining access to international markets, improving links with other sectors – not to mention the difficulties related to mutual recognition of both formal and informal qualifications (13).

2.11 While in Europe the sectors making up the non-industrial core of these activities – the visual and performing arts and historical and artistic heritage – are often of great strategic importance, in the United States this strategic importance is concentrated first and foremost in the industrial sectors, with a strong market bias.

2.12 The US model is the natural reference for countries whose key concern is to build a cultural production system that is fairly independent of public funding and strongly profit-oriented.

2.13 Japan could be seen as a reference beyond the Asian context as well, as over time it has developed centuries-old, very specific kinds of production, with new and original forms of cultural industry aimed at the general public and geared to the market's preferences.

2.14 In China huge-scale investment in cultural infrastructure is taking place with a clear strategy, limiting the influx of American culture, and with a marked interest in European organisational models and the role of public policy in shaping and supporting local cultural systems.

2.15 In India the cultural industry that has developed most dramatically is the cinema industry, which has seen remarkably high turnover growth, although this concerns productions that are firmly anchored in traditional Indian culture and, therefore, of little interest to an audience from outside this culture.

2.16 Latin America is now experiencing impressive growth in its cultural industries, due in part to the influence of Spanish culture in the United States and fast economic and demographic growth in Mexico, while Brazil is seeing its cultural sector flourish beyond the field of music. Africa, meanwhile, is developing its own original cultural soul, inspired, not least, by its many forms of contact with the pan-European cultural world: the interaction between the two continents and their art education have much to teach us about the daily life and global culture of a region, breaking down the barriers hindering cooperation.

2.17 The EESC has consistently upheld the importance of launching a strategy aimed at fully exploiting the potential of the EU's culture and creative professions sectors, in order to stimulate growth and jobs: as early as 2004, in an opinion drawn up at the request of Commissioner Viviane Reding, it highlighted the problems of Europe's cultural and creative sectors (14). These views have been reiterated and further developed in numerous subsequent opinions (15).

2.18 Europe is the world leader by a long way in exporting creative industry products. To stay in this position we need to invest in these sectors' capacity to operate beyond national borders. This was the message conveyed by the Council Conclusions of 12 May 2009 and the European Parliament resolution of 12 May 2011.

3. General comments

3.1 The Committee is aware that Europe's excellence and competitiveness in the cultural and creative sectors are the fruit of the labours of artists, designers, authors and other professionals in the sector – businesses and individuals with talents, both traditional and innovative, and skills, both formal and informal, that should be preserved, fostered and developed.
3.2 The EESC firmly believes that culture and creativity provide the key to the EU’s identity and its legitimacy in terms of diversity of expression: unity in creative and cultural diversity, which must permeate the development of a European knowledge-based economy.

3.3 In order to respect and promote Europe’s cultural identity and ensure that the CCS are fully sustainable, EU measures fostering these sectors must uphold the European social model, democratic principles and environmental standards.

3.4 The numerous European and national analyses carried out show clearly that the CCS have common challenges to face, namely:

— a highly-fragmented European market,
— a business environment made up of 80% SMEs and microenterprises,
— the growing impact on production and distribution processes of the digital shift and the spread of new technologies,
— faster globalisation, with new operators and new competitors,
— a short shelf-life for skills, owing to constantly-emerging new needs,
— limitations in protection of intellectual property rights, particularly at international level,
— difficulty in gaining access to finance and investment in innovative technology,
— inadequate data collection,
— the absence of an unambiguous, internationally-accepted definition of the sectors in question, including details of subsectors,
— the need for greater synergies between the creative and cultural world and technological innovation,
— the need to develop partnerships between the education and training sectors, the business world and creative and cultural activities,
— improving quality and career prospects, recognising the "creative value" in the value chain,
— combating social dumping in the creative and cultural sectors.

3.5 The EESC believes that the importance and complexity of the cultural and creative sector calls for a coherent strategic EU plan to cover a much longer time period, with detailed national and regional work programmes and quantifiable, verifiable goals set out in a roadmap, monitored by the Commission and Parliament, and establishing contributions and responsibilities for the various levels of action: local, regional, national and EU.

3.6 The Committee therefore calls on the Commission to draw up a new, coordinated, medium- to long-term strategy based on a participatory, consensual vision extending to 2020 which takes into full account the specific needs of the CCI and establishes a framework of certainties, which is essential for innovative investment in these sectors and for the development of skilled human resources.

3.7 Moreover, this strategy must necessarily bear in mind that the CCS feature a disproportionate amount of atypical work, in particular intermittent work, with many occupations being temporary and freelance, a very high number of independent workers and microenterprises often consisting only of one person, and a large group of SMEs with fewer than 10 employees. The pay earned by the sector’s workers is therefore often irregular and sometimes close to or below the poverty line.

3.8 Many workers face difficult working conditions with no basic social protection rights. Women, in particular, who make up a large proportion of the sector’s workforce, are discriminated against more seriously, especially when it comes to employment and working conditions, suffering considerable wage and pay inequalities.

3.9 The sector has a relatively high number of self-employed workers. This category is often divided between two extremes: at the one extreme there are highly-skilled, highly-experienced professionals with a strong market position, and at the other there are self-employed workers whose status serves merely to enable them to provide low-cost work in order to reduce the administrative and financial burdens on the client. The ILO has been raising the alarm regarding potential abuse in this area for some time.

3.9.1 It is also true that the economic crisis is affecting the CCS as a whole, thanks to austerity measures and unprecedented cuts in government support for culture across Europe.

3.10 The EESC believes that the measures it has recommended in its opinions on how to anticipate restructuring processes should also be applied to the CCS. Technology and business models in the CCS are changing rapidly and many large businesses are reorganising their production following the digitalisation of the written press, cuts in government support, takeovers and mergers.

(16) At EU 27 level, 25% of cultural workers have temporary jobs compared with 19% in total employment; the share of people working at home is twice as high in cultural sectors (26%) than in total employment. Holding multiple jobs is also more frequent in the cultural sectors (6%), than in total employment (4%), see Cultural statistics, Eurostat pocketbooks, 2011 edition.


3.11 These changes have a direct impact on CCS workers, often in the form of redundancies, wage pressure, early retirement schemes, greater use of temporary work, deterioration in working conditions and an increase in stress, shorter contracts and a lack of worker information and consultation.

3.12 In order to preserve the rich cultural diversity of the EU, the Committee believes that excessive concentrations should be avoided, in both production and distribution sectors; it suggests promoting digital networks and metadistricts, which make it possible to achieve a critical mass of investment and boost research and penetration of international markets so as to preserve jobs.

3.13 Similarly, the EESC believes that joint EU and national efforts are needed to support training and skilling programmes creating new, updated professional profiles with lifelong learning initiatives, in order to enable skills and expertise development to keep pace with the changes taking place in the sector. Investment in modernising education and training systems for the artists, designers and workers of the CCS must be stepped up to enable the EU to maintain its current prominent position and achieve the Europe 2020 goals.

3.13.1 Such measures are all the more urgent given the far-reaching changes arising from growth in global competition, which are evident even in the intellectual professions and have made it necessary to devise ever more novel concepts and ways of carrying out knowledge-intensive work, such as European knowledge cooperatives.

3.14 While, as the Commission itself states, "financial institutions need to increase their awareness of the economic potential of these sectors and develop their capacity to assess businesses relying on intangible assets", this must apply first and foremost to the 2014-2020 Community budget framework, removing the current areas of uncertainty – those concerning Erasmus are typical – reshaping the programmes and instruments for EU action (Structural Funds, EIB, EIF, etc.) to include and promote "non-technological" innovation and competitive international expansion of CCS.

3.15 When the next cohesion policy is put together, to take effect as of 2014, lessons must be learned from the projects and studies on the implementation of instruments that unlock all the potential of the creative industries; in the EESC’s view, the cultural and creative sectors must be incorporated into integrated regional and local development strategies, in cooperation with public authorities and relevant bodies representing organised civil society.

3.16 A Community framework is needed to facilitate the mobility of artists and designers, their work, services and distribution systems, with mutual recognition of qualifications and with cutting-edge education and training tools, both within and outside the European cultural and creative area, implementing the recommendations of the Commission’s group of experts on the mobility of artists (19).

3.17 The EESC stresses that the cultural and creative industries help to stimulate the regeneration of local economies, facilitating the emergence of new economic activities, creating new, sustainable jobs (20) and enhancing the appeal of European regions and cities, as described in the study The rise of the creative class (21).

3.18 The EESC believes that a central part of a genuine new strategy for the CCI must be a Community action plan – "Creative Europe Open to the World - CEOW" – establishing artists and the cultural and creative industries, particularly SMEs, on key international markets by setting up specific schemes facilitating dealings with third countries and through an agreement on specific, binding clauses in EU bilateral and multilateral agreements.

4. Specific comments

4.1 Promoting an appropriate regulatory framework

4.1.1 With the full support and active involvement of the social partners, the Member States and the Commission should adopt specific regulatory measures geared to the particular needs of the CCS, including appropriate competition rules to avoid excessive market concentrations and preserve cultural diversity, a variety of choice for the consumer and multiple forms of enterprise.

4.1.2 The Member States should cut the red tape hampering, in particular, creative and cultural SMEs and the self-employed, streamlining the procedures for providing services and facilitating the mobility of services, artists and cultural operators.

4.2 Access to finance, EU financial support and public-private partnerships

4.2.1 Even where the CCS are more market-oriented, they are still the fruit of individual designers, authors, artists, actors and other performers, who need uncomplicated access to finance and credit: it is vital to link financial support for the CCS to the establishment and preservation of good working conditions for all categories of worker, not least from a financial perspective.

(20) See the youth employment initiative, European Summit on 8.2.2013.
(21) Richard Florida, American expert on urban development.
4.2.2 It is thus important to create a fiscal environment that supports the development of SMEs and independent workers, with exemptions from dual taxation in the case of cross-border and transnational mobility and appropriate social security schemes.

4.2.3 The EU and the Member States must encourage cooperation between the public and private sectors in order to ensure the sustainability of the CCS and foster the cultural diversity of goods and services.

4.2.4 The EU and the Member States must support benchmarking mechanisms as regards arrangements for guarantees, loans, investments and export incentives, so as to make the conditions for accessing private financing mechanisms easier for creative and cultural projects and to encourage links between non-commercial sectors that often receive public funds and more business-oriented sectors such as design, fashion and advertising.

4.2.4.1 The EESC recommends:

— mapping the main European initiatives for the CCS over the past three years;

— drawing up an account of specific financing provided for the CCS over the past three years;

— drawing up a table summarising the results obtained by applying the open coordination method to the CCS.

4.3 Creative and cultural enterprise and business models

4.3.1 The development of new business models calls for acceptance of new digitisation, remixing, mashing and sampling combinations, in other words the ability to take a multimedia digital file containing any or all of text, graphics, audio, video and animation drawn from pre-existing sources to create a new derivative work or sampling process.

4.3.2 Indeed, the "creativity for social quality" model includes culture, the local area and society, in creative districts, integrating measures for harnessing knowledge and promoting the use of designers as intermediaries or facilitators of interface processes between development, technology and production.

4.3.3 For the EESC it is essential to develop new business models where design is integrated into the value chain and all players can add value to products and processes so that they are identifiable as products and processes of European excellence on the international markets.

4.3.4 The EESC believes it is also important to foster cross-border and transnational mobility and the ability to attract skilled, talented professionals, along with knowledge transfer, the exchange of entrepreneurial skills and expertise, and the creation of networks and clusters of different EU players and different sectors of the economy within the EU.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE
Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament and the Council — Strategy for the sustainable competitiveness of the construction sector and its enterprises’

COM(2012) 433 final
(2013/C 198/07)

Rapporteur: Mr Aurel Laurențiu PLOSCEANU
Co-rapporteur: Mr Enrico GIBELLIERI


The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 March 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April), the European Economic and Social Committee adopted the following opinion by 128 votes to 2 with 7 abstentions.

1. Conclusions and recommendations

1.1 The EESC welcomes the Commission's Action Plan on the sustainable competitiveness of the construction sector released in July 2012.

1.2 The EESC recognises the strategic importance of the construction sector in the European economy in terms of the sector's contribution to GDP, in terms of the role of construction in employment and also as a vector of economic growth.

1.3 The EESC considers the construction sector to be a vital player in bringing down the EU's demand for energy, reducing mankind's ecological footprint and helping to mitigate and adapt to the effects of climate change. The EESC expects that the Action Plan will facilitate the sector in taking on these important challenges for society.

1.4 The construction sector, representing almost 10% of EU GDP, is the key to the health of the economy as a whole. In pursuing growth, national policymakers must engage with the construction sector as the Commission has done through this communication and see that the sector, given the right financial and regulatory conditions, can deliver the growth, jobs and environmental protection that the EU's citizens so rightly deserve.

1.5 Simplicity, stability and coherence of the EU regulatory and standardisation framework is also a crucial factor in both the internal and external competitiveness of the construction sector in Europe.

1.6 The EESC is acutely aware that whilst austerity is rebalancing structural gaps, it is not leading to renewed growth; rather, it is exacerbating the economic crisis in many countries. Investment in sustainable buildings and infrastructure is necessary in order to secure Europe's future growth and job prospects.

1.7 Organised civil society invites the Commission, the European Parliament, the Council and the governments of the Member States to see investment in sustainable buildings and vital infrastructure as a strategic contributor to future economic growth and jobs and not simply as another form of public spending. Furthermore, the EESC recommends that such investment should not be used in the calculation of a country's performance with relation to the Stability and Growth Pact.

1.8 There is a huge potential to reduce demand for energy through renovating the EU's ageing building stock in order to meet the EU's objectives to reduce greenhouse gas emissions by 20% and reduce energy demand by 20%. Such action would also reduce imports of fossil energy and help ensure that more...
of the EU's wealth stays within Europe thus helping to maintain and create jobs through the ongoing financial and economic crisis. In order to realise this potential, countries have to ensure that adequate financial and fiscal incentives are in place to drive the market towards greater energy savings and to ensure that the skills gap is reduced.

1.9 There is a further huge challenge of upgrading Europe's transport, energy and broadband infrastructure to meet the needs of future generations and ensure Europe's international competitiveness and attractiveness as a destination for Foreign Direct Investment (FDI). If governments fail to see the importance of this kind of investment, Europe risks falling behind other parts of the world both economically and in terms of social well-being.

1.10 Demographic change poses new challenges for the built environment that the sector will need to address. These include the effects of an ageing population on access to the built environment. The EESC takes note of ongoing work within the European Committee for Standardisation (CEN), under mandate from the European Commission, to adapt relevant standards to “Design for All” principles. Moreover, the construction sector is faced with the challenge of an ageing labour force. In this connection, the EESC recalls the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth (1) and the challenge for the economy as a whole.

1.11 In addition to the construction sector's contribution to climate change mitigation, adaptation to the effects of climate change poses new challenges for the built environment that the sector will have to address. These include the effects of extreme weather events which require more resilient built environment, as well as adequate protective structures. The EESC stresses the need to take this also into account under existing standardised technical methodologies such as Eurocodes.

1.12 Construction has a vital role to play in these challenges provided that the required investment is made available and, while project bonds are a way of leveraging additional private financing for projects, they cannot replace the role of public investment.

1.13 Many companies in the construction sector, especially SMEs, are feeling intense pressure due to late payments by public and private sector clients. Directive 2011/7/EU on combating late payment in commercial transactions must be properly enforced to ensure the survival of companies. In order to fully implement the provisions of Directive 2011/7/EU and achieve its objectives, the EESC would stress the need to reduce payment/receipt terms in public procurement contracts to a maximum of 30 days and to ensure that those terms are respected and the invoices paid, with the adoption of appropriate budgetary and administrative measures (including bank loans for the payment of arrears). The EESC believes that the problem of arrears registered before the transposition of Directive 2011/7/EU should be resolved as a matter of priority; very significant delays in payment of invoices for public procurement contracts seriously affect the competitiveness, profitability and viability of companies. Those countries that have hitherto had shorter payment periods should not use the directive's derogations to increase these periods. In this framework, the EESC recommends that a 30 day payment period should be the maximum permitted for invoice payments (including acceptance and verification).

1.14 In order not to jeopardise or significantly reduce the chances of economic recovery, the EESC would stress the need to restore and increase bank loans for investors and the real economy. It recommends preventing the exercise of excessive prudence in the granting of credit and the prioritising of investments in securities, to the detriment of loans to companies which have survived the crisis. Bridging loans are vital for the day to day survival of many companies, especially SMEs. Consequently, current restricted bank lending poses a real threat to the viability of such enterprises. In order not to aggravate already squeezed lending, financial prudential rules such as those put forward under the Basel III agreement should not lead to a further curb in lending by banks to the real economy. For this to be achieved, borrowing cheap money from the ECB should be conditioned by the obligation that an important part has to benefit the real economy.

1.15 A vital part of creating a sustainable and competitive construction sector is securing good working conditions in the sector. The Atkins report back in 1993 (2) concluded that a construction sector that is dependent on precarious employment forms such as false self-employment creates disincentives for productivity. Thus, the Action Plan should also include strategies to stabilise employment and fight unlawful practices such as false self-employment in the sector.

1.16 Independently of the form of employment, incentives need to be put into place for up-skilling the workforce and offering life-long learning possibilities.

1.17 Circumventing the rules and social obligations distorts the construction market. A level playing field for competition must therefore be secured, based on compliance with the existing regulations and social conditions in force in the host country. To achieve this, proper enforcement mechanisms to secure host country conditions must be applied.


\[\text{(2)}\ \text{Sector, Strategic Study} \text{ on the} \text{ Construction Sector: Final Report: Strategies for the Construction Sector, WS Atkins International (1993).}\]
1.18 The EESC calls on the European institutions and the Member States to strengthen policies and take concrete actions against the influence of corruption and criminal organisations on public tenders mainly on large infrastructure projects, which create an unacceptable and unfair competition through the use of threats and violence reducing freedom and democracy.

1.19 The EESC stresses that Member States should be allowed to apply current and additional control measures or administrative formalities which are deemed to be effective and necessary. This includes the obligation to ensure that such checks, monitoring and enforcement mechanisms, as well as effective and adequate inspections are actually undertaken, in order to ensure compliance with national law and the "posting directive" (96/71/EC).

1.20 Migrant workers should be entitled to minimum social conditions and/or equal treatment based on host country conditions and regulations. Proper enforcement mechanisms to combat social dumping and unequal treatment in respect of the law of migrant workers should be put in place.

1.21 There is a need to upgrade the share of R&D in the construction sector as a tool to enhance productivity. A policy in favour of continuous innovation, of raised productivity based on the competence of the workforce, of smart new products and work organisation as well as quality jobs is needed. In this respect, environmental technology can be one of the drivers for new development.

1.22 The EESC supports fair and balanced contract conditions, which should be in place in all EU Member States and should include non-EU companies active on the EU construction market. The promotion of the Most Economically Advantageous Tender (instead of the "lowest price"), as well as a consistent approach to rejecting abnormally low tenders are essential pillars of efficient and fair competition.

1.23 In order for construction to better deliver sustainable development, the EESC recommends that assets should be assessed and costed on the basis of their entire life cycle. Where appropriate, such assessments should be based on standards produced or adopted by the European Committee for Standardisation (CEN).

1.24 The EESC welcomes the creation of the EU high level forum on construction and is keen to take part in it in order to increase the coherence of the EU policies relevant to the construction sector.

2. The context

2.1 The EU-27 construction sector has been seriously impacted by the 2008 started financial crisis and subsequent economic downturn in construction activity. A return to growth has been delayed by the onset of the Eurozone sovereign debt crisis and the imposition of austerity programmes in many Member States.

2.2 Nevertheless, in 2011 the construction sector achieved a turnover of EUR 1 208 billion, which represents 9.6 % of EU-27 GDP and 51.5 % of gross fixed capital formation (\(^\text{(*)}\)).

2.3 In terms of enterprises, the construction sector counts 3.1 million companies of which 95 % are SMEs with fewer than 20 employees and 93 % have fewer than 10 operatives.

2.4 The construction sector is the biggest industrial employer in Europe with 14.6 million operatives in 2011, representing 7 % of total employment and 30.7 % of industrial employment. Since 2008, employment has decreased continuously.

2.5 Taking into consideration the multiplier effect (one person in this sector generates two further persons working in another sector) there are 43.8 million workers in the EU who depend directly or indirectly on the construction sector.

2.6 In the various Member States the construction sector has been impacted by the same kind of economic factors, which are in essence:

- the lasting effects of the credit crunch which has restricted lending;
- the withdrawal of the remaining recovery measures;
- the start of the sovereign-debt crisis in summer 2010;
- and the subsequent implementation of austerity measures all over Europe.

2.7 National efforts have been undermined by budget and fiscal consolidation measures, as well as major cuts in investment, in order to solve the sovereign-debt crisis.

2.8 This situation has further weakened still fragile business and consumer confidence.

2.9 Total construction output is forecast to decrease by more than 2% in 2012 as a result of decreases in all construction segments.

2.10 A World Bank analysis included construction among sectors where corruption and organised crime shows in:

- Assigning projects by political interest - not by tender;
- The ways of accreditation for the certification procedure in constructions.

The EU Member States identify corruption phenomena showing in:

\(^\text{(*)}\) FIEC Statistical Report R54.
— financial engineering practices and failure to pay in time the works carried out by construction companies;

— maintaining technical, administrative or regulatory barriers distorting the tendering process.

3. Commission proposal

3.1 The objectives of the proposed strategy are:

— to address the main challenges facing the construction sector in terms of investment, human capital, energy and environmental requirements, regulation and market access by 2020;

— to propose a short- and medium-term action plan addressing these challenges.

3.2 The scope of this proposal is:

— stimulating demand for a sustainable built environment, in particular for building renovation;

— improving the performance of the supply/value chain and of the internal market for construction products and services;

— widening the market prospects for EU construction enterprises at international level.

3.3 The proposed Action Plan focuses on the following 5 objectives:

3.3.1 Stimulating favourable investment conditions

3.3.2 Improving the human-capital basis

3.3.3 Improving resource efficiency, environmental performance and business opportunities

3.3.4 Strengthening the internal market for construction

3.3.5 Fostering the global competitive position of EU construction enterprises

3.4 In terms of governance, a tripartite (Commission, Member States, stakeholders) strategic forum is proposed to monitor progress with the implementation of the strategy.

4. Current state of the construction sector – SWOT analysis

4.1 Strengths

4.1.1 Mitigating and adapting to the effects of climate change and reducing humanity's ecological footprint.

Construction activity is a local business and highly labour intensive. Production therefore cannot be transferred off-shore, ensuring that employment remains within the EU.

43.8 million workers in the EU-27 still depend directly or indirectly on the construction sector.

The high number of micro-enterprises and SMEs involved in construction means that the sector is an activity deeply rooted in local communities, reflecting the diversity of local traditions and cultures.

In many Member States, the construction sector, together with vocational education institutions, plays a central role in providing apprenticeships for young workers, thus ensuring social mobility.

4.2 Weaknesses

4.2.1 In many countries, the construction sector, has to contend with rules that hinder mechanisms for cooperation between businesses (such as rules on liability) with a complex value chain and high potential for conflict and inefficiency. This stands in the way of increased competitiveness.

4.2.2 Despite recent improvements such as the Manifesto entitled "Building Prosperity for the Future of Europe” – originally published in November 2010 by the informal platform the European Construction Forum and re-published in January 2013 specifically for the Commission communication – the sector is composed of so many different stakeholders that it is difficult to coordinate all differing views and speak with one voice at national or European level.

4.2.3 In some instances, the sector is prone to speculative property booms such as that experienced in a number of Member States in the first decade of the 21st century, driven by the availability of low-interest credit for real estate development.

4.2.4 Policy measures aimed at promoting specific forms of construction – such as fiscal incentives for energy efficient renovation or retrofitting activities or feed-in tariffs to support micro-renewables – are often unpredictable, short term and curtailed before their benefits have been properly felt.

4.2.5 Public procurement is traditionally driven on the basis of the lowest price. Such pressure to reduce bid prices prevents companies from innovating their processes and investing in new and innovative materials. Moreover, public tenders do not often allow for variants to be put forward. The absence of the ability to propose variants, alongside restrictive insurance regimes, are further barriers to increased innovation.

4.2.6 Investment in R&D is low in the construction sector compared to other industries, this is due to the fragmented nature of the sector, the highly regulated and prescribed nature of construction works and the traditionally tight profit margins in construction. Nevertheless the EESC takes note of the Public Private Partnership for energy efficiency (EeB) that combines R&D support from the European Union with match funding by the private sector.
4.2.7 Despite the great strides take in recent years, the construction sector still suffers from an image problem and improving its track record on health and safety continues to be a priority. More generally, and despite the downturn, the industry still fails to attract a sufficient number of skilled engineers from universities. With demographic changes, this problem will intensify. The sector itself must address this image problem and succeed in attracting young qualified workers.

4.3 Opportunities

4.3.1 The energy performance of the building stock is an immense opportunity for the sector to increase activity with existing technologies. Nevertheless national governments have to recognise the potential and provide the necessary financial support and fiscal incentives.

4.3.2 Member States and the European Union should coordinate large-scale investment programmes in key infrastructure and buildings reaching beyond the amounts proposed by the Connecting Europe Facility in the next Multi-Annual Financial Framework.

4.3.3 In the medium to long term, the sector has the potential to deliver a sustainable, low carbon economy with the necessary regulatory and financial incentives in place.

4.3.4 The construction sector will be in the front line in responding to the challenges of climate change mitigation and adaptation.

4.3.5 The development of new technologies based on IT such as Building Information Modelling (BIM) is helping to drive innovation and improved efficiency in the sector.

4.4 Threats

4.4.1 The main threat facing the construction sector is the lack of public and private investment that has already caused the bankruptcy of viable businesses and has caused a huge decrease in employment since 2008. A sustained recession in the construction sector will lead to a permanent loss of architects, designers, engineers and craftsmen.

4.4.2 Linked to the above, another threat posed to the sector is the ageing workforce and the lack of skilled young workers to take their place. Figures from Germany suggest that, in 2011, 44% of the workforce was over the age of 45.

4.4.3 The arrival on the EU procurement market of third-country contractors is a further threat. These companies, often state owned, have used their home country's financing to undercut fair competition in cases such as the A2 motorway case in Poland in 2009 involving a Chinese state-owned firm. Such unfair competition drives down quality in construction as well as undermining the salaries of local workers in construction.

4.4.4 The pressure from authorities to save money in public tenders is leading to the frequent occurrence of abnormally low tenders (ALTs). Such tenders reduce the quality of the built environment, threaten the social welfare of workers and increase costs in the long run.

4.4.5 The construction sector is already a highly regulated activity and for good reason, but legislation adopted at EU level addressing the construction sector risks being counter-productive if not coordinated.

4.4.6 The highly mobile nature of employment is one of the key characteristics of the construction sector in the EU. The use of labour from other countries and especially self-employed workers and those on temporary postings should not be used as a form of social dumping, to avoid paying social security contributions and evade social obligations in force in the host country.

4.4.7 For the construction materials industry, future access to raw materials as well as resource efficiency is a huge challenge.

5. The economic, social and organised civil society views

5.1 The views expressed at the hearing organised by the CCMI on 19 December 2012 emphasised the following main aspects:

5.1.1 The publication of the Commission’s communication is timely, and includes many of the elements expected by the construction industry.

5.1.2 The proposed strategy does not cover tactics for tackling the impact of climate change on the industry.

5.1.3 Project financing and the trend towards late payments remain important topics on the construction industry agenda.

5.1.4 There is an acute ageing of the construction workforce which needs to be tackled by attracting young skilled workers.

5.1.5 An enhanced approach is needed in order to solve the main threats and weaknesses and to ensure that the EU 2020 and TEN objectives are reached.

5.1.6 Without high quality in design and execution, we will not achieve sustainable construction or sustainable competitiveness for the construction sector. High-quality design and execution cannot be obtained by tenders based only on the "lowest price criterion" and ignoring long term costs.

5.1.7 Public procurement for construction services traditionally driven on the basis of the lowest cost prevents companies from innovating in their processes and investing in new and innovative materials. Innovation is further hindered by insurance regimes which penalise companies who wish to vary their work practices or use innovative materials.
5.1.8 There are inequalities in competition between companies in OECD and BRICS countries, which requires specific solutions.

5.1.9 Reduced VAT for affordable housing could once again be looked into as a possible stimulus.

5.1.10 Social partnership in the construction industry which generated several paritarian NGOs should also be further developed and enhanced in the Member States together with the social dialogue in order to tackle the very specific challenges facing this industry (health and safety, training, holiday payments etc.).

5.1.11 A code of ethics is also necessary and appropriate in order to reduce the impact of corruption.

5.1.12 There is a need for enhanced communication on investment policies in order to improve companies' strategies, which are for the time being mostly based on short-term survival.

5.1.13 The high level forum on construction created by the Commission, which starts work in January 2013, is much needed and the EESC should be part of it.

6. General comments

6.1 The forecast development of the construction sector is characterised by:

— the energy performance of buildings, resource efficiency in manufacturing, transport, the use of products for buildings and construction in infrastructure;

— the low-carbon economy as a huge impact on the building and construction sector;

— global challenges, consisting of:
  — globalised unbalanced competition;
  — energy efficiency;
  — sustainable buildings;
  — disaster resilience;
  — indoor climate;
  — recovery, recycling and re-use of buildings and materials;
  — design to fit the future customers' demand;
  — ageing of the labour force;
  — public procurement procedures;
  — PPP;
  — health and safety specific issues;
  — business ethics.

6.2 There needs to be a "trophic chain" in the construction sector between the actors involved: the construction companies, planners, architects, designers, developers etc. should be involved in areas of knowledge such as financing, insurance, procurement, marketing and education.

6.3 In order to combat corruption and organised crime phenomena, construction companies are setting forth a complex range of actions and structural reforms, including:

— Removing current technical, administrative and regulatory barriers distorting the tender procedures in infrastructure, construction and assembling works, by simplifying specific regulatory framework and setting up firm liabilities to the actors involved.

— Reviewing ongoing contracts and payments mechanisms involving EU funds participation, by improving the document flow, by increasing the responsibility of monitoring and control entities and making use of the Escrow Account, per each project. Auditing and joint and cross-checking control both with the beneficiary and the construction company, over payments due and works benefiting by joint STATE-EU financing, under projects implemented with European funding.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE
Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The EU’s External Aviation Policy — Addressing Future Challenges’

COM(2012) 556 final

(2013/C 198/08)

Rapporteur: Mr McDonogh


The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 3 April 2013.

At its 489th plenary session, held on 17 and 18 April (meeting of 17 April), the European Economic and Social Committee adopted the following opinion by 165 votes to 1 with 7 abstentions.

1. Conclusions and recommendations

1.1 The Committee welcomes the Communication from the Commission on External Aviation Policy. Given the increasing reliance of Europe on external trade and the key role that airports play in connecting our continent with the rest of the world, the EESC is fully supportive of an ambitious agenda in the area of aviation.

1.2 In particular, the EESC is keen to see rapid progress towards an enlarged Single Aviation Area encompassing our neighbours both to the Near East, Eastern Europe, Russia, Turkey and across the Mediterranean to North Africa. This would offer development opportunities to secondary and regional airports due to the geographical proximity of these markets and the fact that many of them are experiencing significant economic growth.

1.3 EESC is also very supportive of an ambitious liberalisation agenda with the BRIC and ASEAN countries to give European carriers opportunities to increase co-operation with other airlines and drive additional traffic through European airports.

1.4 The Commission rightly points to the need to pursue a level playing-field for the airline industry. The communication correctly identifies aviation taxes, inappropriate state aid, airport and airspace congestion, consumer-protection liabilities and the cost of carbon emissions among these distortive factors which should be addressed.

1.5 The EESC supports the Commission’s concerns regarding the need for investment in capacity at airports. There is an urgent need to guarantee airport capacity in the European Union so as not to lose competitiveness by comparison with other regions experiencing growth, and thus prevent traffic from shifting to neighbouring regions.

2. Introduction and background

2.1 The Committee welcomes the Communication from the Commission on External Aviation Policy.

2.2 The Committee strongly agrees that aviation plays a fundamental role in the European economy both for EU citizens and industry. By supporting 5.1 million jobs and contributing EUR 365 billion or 2.4% to European GDP, it makes a vital contribution to economic growth and employment in the EU.

2.3 As a result of efforts between the European Commission and the EU, 1 000 bilateral air services agreements have been put in place with 117 non-EU countries. Progress has been made in developing a wider Common Aviation Area with neighbouring countries, with agreements already signed with the Western Balkans, Morocco, Jordan, Georgia and Moldova.

2.4 However, the transition from having only bilateral relations between EU Member States and partner countries to a mix of bilateral and EU-level relations has led to occasional confusion among partner countries, and EU interests have not always been best defined and defended.

2.5 Furthermore, national fragmentation means that the aviation industry is still overly subject to local interests and an over reliance on ad hoc initiatives based on individual negotiating authorisations to create the conditions for effective market entry and growth. The pace of un-coordinated market liberalisation at EU Member State level with certain non-EU countries and some Member States’ apparent intent to
continue to grant bilateral air traffic rights to third countries without commensurate return, or account taken of the EU-level implications, is such that if we do not act now to establish a more ambitious and effective EU external policy, then in a few years’ time it may be too late.

2.6 Council has also granted the Commission authorisations to negotiate comprehensive agreements with Australia and New Zealand. Negotiations with these countries have not yet been completed. European aviation at present only has 2 European airlines serving Australia: British Airways and Virgin Atlantic. Previously, there were many more European carriers.

2.7 The EESC welcomes the comprehensive Council Conclusions on the Commission proposal (1), but considers that Member States could be more explicit in their support for some key EU negotiations such as by giving a strong mandate to the Commission for "normalising" the strained aviation relations with Russia.

2.8 Latin America is a fast growing market, and the amalgamation of LAN & TAM poses a real commercial threat to Iberia, Tap and other European airlines serving Latin America. The early conclusion of the Brazilian agreement is urgent.

3. The importance of hubs

3.1 Despite the growth of low cost carriers which have opened up services to non-hub airports, Europe's hubs are of significant importance in global aviation and external relations as traffic agreements are often focussed on them.

3.2 The growth of major hubs in places like Abu Dhabi and Dubai poses a significant competitive threat to long haul EU services. For instance, the recent agreement between Qantas and Emirates is a serious threat to the European airline industry.

3.3 In order to be viable a hub requires a significant level of local demand as well as an extensive network of feeder services, which is why the most successful hubs are usually situated at major city airports, which are becoming more congested and unable to expand mostly because of environmental issues.

3.4 Some European airport hubs are already limiting, due to lack of capacity, the number of feeder routes that can be operated, this must be effectively addressed if European competitiveness is to be maintained.

4. Creating fair and open competition

4.1 The competitiveness of EU carriers, many of which are struggling financially, is hampered when the economic burdens that lead to higher unit costs of production are higher than those of carriers from other regions of the world.

4.2 It is important that the entire aviation value chain (airports, air navigation service providers, manufacturers, computer reservation systems, groundhandlers, etc.) is considered and that the cost structures, the level of exposure to competition in other parts of the value chain and infrastructure financing mechanisms in other key markets are taken into consideration when assessing the competitiveness of the EU aviation sector and in particular EU airlines internationally.

4.3 Within the EU, there has been a failure to create a level playing field at Member State and local/regional level, as for example the many cases where small airports provide non-commercial rates to airlines without complying with the Private Market Investor Principle have not been prevented. The recently opened series of in-depth investigations into cases of potential state aid to airlines from regional airports in several EU Member States highlight the necessity to act urgently to finalise EC State Aid Guidelines for airports which have been continually delayed. The recent adoption of EU rules regarding social security for mobile workers in the EU such as aircrew will also improve the functioning of the single market. The Commission has taken action in many cases of perceived unfair competition.

5. A growth strategy based on More Europe

5.1 The independent study carried out for the Commission has estimated that there would be very significant economic benefits, more than EUR 12 billion per year, from further EU-level comprehensive air transport agreements with neighbouring countries and key partners particularly in fast-growing and/or restricted markets.

5.2 It is of strategic importance for the EU to maintain a strong and competitive European-based aviation industry connecting the EU with the world. The fastest-growing aviation markets are now outside Europe, so it is vital that European industry has the opportunity to grow in these markets as well.

5.3 It is important to ensure that, over time, a truly integrated common aviation area evolves from this process where relations between the neighbouring countries themselves also become open and integrated. It no longer makes sense for the Council to have to consider granting authorisations to negotiate agreements on a country-by-country basis. It would be far more efficient to grant the Commission a single authorisation to negotiate with the remaining neighbouring countries albeit still on a country-by-country basis.

5.4 Under the third pillar (comprehensive agreements with key partners) a number of important agreements have been negotiated. However, it is also an area where some key objectives still need to be achieved, notably under the EU-US and EU-Canada agreements regarding the liberalisation of ownership and control of airlines.

5.5 Most countries still maintain rules stipulating that airlines must be majority owned and controlled by their own nationals thereby denying air carriers access to a wider range of investors.

and capital markets. The effect has been to impose an artificial industry structure on the airline sector that does not exist in other industries. In the US, for example, foreign ownership of voting shares of airlines may not exceed 25%. These national restrictions on ownership and control have given rise to three global airline alliances (Star Alliance, SkyTeam and Oneworld), and more specifically the joint ventures created between some of their members on some routes. These are the nearest proxy to global airlines.

5.6 Under existing EU legislation, however, EU carriers are not subject to national ownership and control restrictions but can be owned by any EU interest.

5.7 The consolidation trend in Europe is unique, in that cross-border mergers and acquisitions are only permitted within the EU while ownership and control regimes remain fundamentally stuck where they were negotiated in 1944 in the Chicago Convention. The difficulties encountered as a result of current ownership and control provisions are significant and require negotiations with partner countries and highly complex governance structures. Alliance members cooperate more and more closely to offer customers a seamless integrated global multi-hub network service.

5.8 The time is now ripe to take the additional steps envisaged in the EU-US air transport agreement to liberalise airline ownership and control in order to enable airlines to attract investment irrespective of the nationality of the investor.

6. Key principles guiding the EU's future external aviation policy

6.1 The EU should continue to be bold in promoting further openness and liberalisation in aviation, while ensuring that a satisfactory level of regulatory convergence is achieved. In negotiations with partner countries, due attention should also be paid to labour and environmental standards and respect for international conventions and agreements in both areas to avoid market distortion and prevent a race to the bottom. It's important that airlines serving Europe comply with ILO rules and regulations.

6.2 Given the increasing reliance of Europe on external trade and the key role that airports play in connecting our continent with the rest of the world, the EESC is fully supportive of an ambitious agenda in the area of aviation liberalisation.

6.3 In order to maximise benefits it is important that the EU moves fast (before liberalisation efforts between emerging markets step up) in order to benefit from a first mover advantage. This would both protect and reinforce the position of the European aviation market on a global stage. Failing to do so will put the EU at risk of being completely bypassed in future global air traffic flows.

6.4 "Moving first" on aviation liberalisation would also play an important role for the dissemination of European technical standards, with potentially significant benefits for the European aerospace industry.

6.5 The EESC has long been a supporter of the removal of restrictions on ownership and control (1) as a means of giving carriers access to a wider range of investors and capital markets. Because of the weight of the two respective markets, initial strong pursuit of this policy should be focussed on further amendments in EU-US agreements. This has the potential to deliver a benchmark for a new post-Chicago era in aviation.

6.6 The Commission will need to demonstrate that the co-ordinated approach to negotiations will deliver within a speedier timeline so that there is no undue delay when opportunities arise when compared to bi-lateral engagement. We are currently witnessing a regrettable delay in the signing of the bilateral agreement with Brazil. It also needs to be mentioned that Member States share responsibility for strengthening Europe's external aviation policy and that the Commission needs strong negotiation mandates in particular when advocating EU market rules towards states and regions where aviation operates along very different standards.

6.7 A further erosion in the position of the European industry would occur if one of the Middle East airline carriers took over one of the financially struggling Indian airlines.

7. Enhancing relations with key partners

7.1 Given its particular characteristics, the European cargo and express industry in particular is suffering worldwide from restrictive bilateral air services agreements and should be given a high priority when obstacles are removed to market access.

7.2 In particular, the EESC is keen to see rapid progress towards an enlarged Single Aviation Area encompassing our neighbours both to the Near East, Eastern Europe, Russia, Turkey and across the Mediterranean to North Africa. This would offer development opportunities to secondary and regional airports due to the geographical proximity of these markets and the fact that many of them are experiencing significant economic growth. A positive and pragmatic agenda for cooperation with Turkey would allow mutually beneficial progress to be made in resolving concrete issues in the region. In particular, a bilateral safety agreement should be advanced.

7.3 EESC is also very supportive of an ambitious liberalisation agenda with the BRIC and ASEAN countries. These nations are fast becoming the dominant global suppliers of both raw materials and manufactured goods and services and their populations have a growing propensity to travel. Significant potential economic benefits have been demonstrated

from comprehensive EU air transport agreements with China, India, Japan and Latin America which should be pursued. Liberalising air traffic would give European carriers opportunities to increase cooperation with other airlines in those regions and drive additional traffic through European airports.

7.4 It is also important that any deal is reciprocal in nature, giving benefits to the EU as well as third countries. In this context Russia must urgently demonstrate its commitment to the 2011 agreement to implement the "Agreed Principles on the modernisation of the Siberian overflight system". The Commission, supported by Member States, should take necessary measures if commitments are not met.

7.5 Relations with the Gulf States have in recent years been a largely one-way process of opening EU markets for Gulf carriers, which has created significant imbalances in opportunities. Due to the potential for further traffic leakage it is not therefore recommended that the Gulf States be an immediate focus for further negotiations.

8. Investment at airports

8.1 The EESC supports the Commission’s concerns regarding the need for investment in capacity at airports. This section of the proposal needs, though, further clarification as to which are the proposed actions to deliver the aims and the relation to the earlier "Airport Package" proposal (3) of the Commission should be made more explicit.

8.2 There is an urgent need to guarantee airport capacity in the European Union so as not to lose competitiveness by comparison with other regions experiencing growth, and thus prevent traffic from shifting to neighbouring regions.

8.3 The damage to the European economy will start well before demand exceeds supply. According to Eurocontrol once hub airports begin to employ more than 75% of their theoretical maximum capacity, their ability to cope efficiently with bad weather, operationally caused delays, and to provide reliable flight connectivity reduces rapidly.

8.4 In addition at peak hours passengers are paying more than they would if there was more capacity. For example, the UK House of Commons Transport Committee was recently informed that travellers could be paying GBP 1.2 billion in airfares by 2030 if there is no airport expansion in the South East of England.

8.5 Airport capacity needs to be monitored at an EU level, and EU guidelines need to be delivered, which will provide local authorities with a common comprehensive framework when considering airport expansion schemes.

8.6 While expansion of capacity at major airports is an absolute must for the long term, there also remains a need to make best use of existing capacity, in particular with regard to airport slots. Airports need to be empowered to respond to supply and demand changes, and to be able to guide the use of their airport slots towards the economically optimal outcome. In this context it is important that the Slots element of the current Airport Package (4) continues to facilitate improved performance in the use of airport capacity by taking local circumstances into account in the allocation of slots, as this would effectively be the only way that some airports will be able to grow in the future. Runway use at major airports is at full capacity in many cases, while there is plenty of capacity at nearby regional airports.

8.7 Non-hub airports can also play an important role in reducing congestion at Europe’s main hubs, allowing the European airport sector to maintain a leading position. Given the lengthy lead times for any expansion of runway or terminal facilities at major airports, greater utilisation and appropriate investment at non-hub airports can provide more immediate alleviation of capacity problems. A well-developed network of such non-hub and regional airports will also improve passenger safety, by ensuring, among other things, that a network of emergency or alternative airports is available in the event of deterioration in the weather or other circumstances.

8.8 The EESC also reiterates its call for one stop security to be introduced without any further delay, as this would mean huge savings in the costs incurred by airlines, as well as saving time for travellers. The subject therefore needs to be addressed as a priority with key partners.

9. Single SKY/SESAR

9.1 Functional airspace blocks (FABs) are required in order to move the European Single Sky ahead. All the FABs were to be up and running on 4 December 2012. Given the criticality of this issue for optimising the provision of air navigation services and effectively managing the volume of air traffic, it is imperative that the Commission takes procedures in the European Court of Justice against those Member States who have failed to deliver.

9.2 Swift and consistent implementation of the Commission’s proposals can assist the industry to grow in a sustainable way and thereby fully contribute to the recovery of the European economy.

10. Tools to be applied

10.1 Comprehensive air services agreements with neighbouring countries and major and like-minded partners should address and synchronise the regulatory conditions for fair competition and for a sustainable aviation industry including essential aspects such as safety, security, environment and economic regulation.


(4) COM(2011) 827 final/2 - 2011/0391 (COD).
10.2 Exactly what form the proposed new instrument to protect European interests against unfair practices would take is not yet fully clear, but it should resemble a wider complaints procedure addressing the "hidden subsidies" that are reflected in the fares. Presumably, this would gain legal weight through the "fair competition clauses" that the Commission is looking to sign with these external states.

10.3 The Commission rightly points to the need for the pursuit of an international level playing-field to be accompanied by a similar effort within Europe. Europe's aviation industry is subject to increasing regulatory burdens and inconsistencies. The communication correctly identifies aviation taxes, inappropriate state aid, airport and airspace congestion, consumer-protection liabilities and the cost of carbon emissions among these distortive factors which should be addressed.

10.4 The EU Emissions Trading System (ETS) is particularly noteworthy. ETS has proven a highly contentious issue in the context of a discussion of external aviation policy. China and India have refused to comply, while the US Congress has passed legislation making it illegal for its airlines to abide by the EU rules. While ensuring environmental sustainability is a critical issue, the EU needs to give ICAO the chance to come up with a proposal for a global solution to which all partner countries can agree at the ICAO Assembly in the autumn of 2013, rather than place EU aviation at a competitive disadvantage (5).

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE

1. Conclusions and recommendations

1.1 The EESC has always advocated greater use of renewable energy, including in the form of bioenergy, but it already expressed reservations about the introduction of agrofuels in transport in its opinion on the Renewable Energy Directive; it therefore welcomes the Commission's proposal to now limit "conventional biofuels" to a share of 5%.

1.2 The Commission wants to promote greater use of residual products, by-products and waste products in fuel production. The EESC welcomes this in principle, but special care needs to be taken to achieve a consistent policy and avoid creating new problems. It is precisely here that the EESC sees risks in the Commission proposal.

1.3 While biomass is renewable, the land needed to cultivate it is limited, which is why it makes sense to consider indirect land-use change (ILUC) – insofar as this refers to competition for land – when shaping policy. It should be noted that such change or competition only occurs where bioenergy or other crops replace food or feed crops, and not where crops are simply redistributed between regions.

1.4 The Commission's ILUC approach is part of a comparative assessment of fossil-based and biogenic energy sources that looks exclusively at greenhouse gas emissions. Issues such as security of supply or the finite nature of fossil resources do not fit into this mathematical equation and are ignored. As a result, ILUC does not measure up as a policy of sustainability.

1.5 Another reason why the ILUC approach adopted by the Commission is questionable is that it is intended to apply to liquid fuel sources, but not gaseous or solid ones. The EESC does not agree with this.

1.6 This proposal calls into question European protein production and with it the use of untreated plant oils for energy, which in certain sectors is perfectly reasonable, in that plant oils are given an ILUC rating, which means they are to be restricted. This does not make sense. Plant oils are not "primary products" but rather by-products that accrue from the desirable cultivation of protein plants in Europe. Cultivation of oil plants in Europe, which produce both protein feed and plant oil (and are therefore a substitute for imported soya), should be promoted as part of sustainable agriculture, not restricted.

1.7 In the case of what the Commission calls "advanced" biofuels, which it now wants to promote, the EESC is
1.8 The EESC does not consider this proposed amendment to the Renewable Energy Directive to be a promising foundation for a strategy to really minimise use of fossil fuels, reinforce Europe’s security of supply and help protect the climate.

1.9 Biofuels of any sort are not a lasting solution for widespread over-consumption of energy. Limited availability, alone, means they cannot replace fossil fuels. What is at stake here is no more than a temporary solution – especially in the case of passenger cars, where alternatives to liquid fuels are in sight – that may entail significant undesirable side-effects and must not distract attention from the unavoidable need to reduce the amount of energy we consume, regardless of where that energy comes from.

1.10 The EESC understands that, in some areas of transport and in agriculture and forestry, there are currently no viable alternatives to liquid fuels. Pure plant oil can be a workable alternative here, but its production, too, is limited, which means that it has to be deployed strategically.

1.11 The Commission Communication on Clean Power for Transport: A European alternative fuels strategy (1), which is strategically linked to the policy on biofuels, also fails to offer any adequate solutions (2).

1.12 Overall, the EESC sees a serious lack of consistency between different Commission policies that urgently needs to be addressed. The Committee calls on the Commission to generally rethink its bioenergy policy, especially insofar as it applies to the transport sector. In doing so, it should consider the finite nature of land (and thus biomass), the energy performance and efficiency of each form of bioenergy (and thus the varying potential for greenhouse gas reductions), and economic efficiency. Much more attention should be paid to energy loss in conversion processes, alternatives to the combustion engine in the transport sector should be developed and promoted (including electromobility and hydrogen technology), and a separate strategy should be developed for sustainable European production and use of protein and plant oils.

(1) COM(2013) 17 final.
(2) See EESC Opinion "Clean Power for Transport Package" (not yet adopted).

2. Introduction: policy context and presentation of the Commission’s proposals

2.1 Directive 2009/28/EC (the Renewable Energy Directive) set binding targets for the development of renewable energy (henceforth referred to as RE), which is to account for 20% of all energy consumption by 2020. Member States were given a high degree of flexibility in implementation, in that they are free to decide which sector (electricity, heating/cooling or transport) they wish to focus on.

2.2 This flexibility was qualified when it came to the transport sector, however: here the directive required a minimum share of 10% of energy consumption. Initially the plan was to stipulate this share in the form of biofuels (3), but following criticism from the EESC and the EP it was agreed that other types of renewable energy (such as electricity from renewable sources used in cars and trains; biogas; etc.) would be allowed.

2.3 The amendments now proposed are the result of a 2010 report from the Commission on "indirect land-use change related to biofuels and bioliquids" (4), which acknowledged "that it is important to tackle indirect land-use change for biofuels".

2.4 The Commission has generally stuck to its approach of using plant-based fuels in the transport sector, which was criticised by the EESC, but it now intends to restrict "conventional agrofuels" and effect a transition to "advanced biofuels", which supposedly do not pose a risk of indirect land-use change. Biofuels defined as "advanced" by the Commission are liquid fuels, including those manufactured from biogenic rubbish/waste or algae. The Commission believes that their production should be supported because they are not currently commercially available in large quantities. Incentives are to be provided by increasing the weighting of advanced biofuels towards the 10% target for transport set in Directive 2009/28/EC compared to conventional agrofuels.

2.5 In a nutshell, the Commission’s proposals target the following objectives:

— limit the contribution of conventional biofuels to the targets set by the Renewable Energy Directive to no more than 5% of energy use in transport, or no more than half the 10% target;

(1) The draft directive uses the term "biofuels". In various opinions, however, the EESC has drawn attention to a number of environmental problems caused by these "bio" fuels. The prefix "bio" suggests an environment-friendly product, and in this opinion the EESC therefore uses the term "agrofuel" instead.

— encourage "advanced biofuels" (with no or low indirect land-use change), not least by weighting them in calculations so that they contribute more to the targets in the Renewable Energy Directive than conventional agrofuels;

— improve the greenhouse gas performance of biofuel production processes (reduce emissions) by increasing the emission savings achieved with new facilities;

— improve reporting of greenhouse gas emissions by obliging Member States and fuel suppliers to report emissions linked to indirect land-use change caused by biofuels.

3. General comments

3.1 In its opinion (7) on the then-draft Renewable Energy Directive, the EESC welcomed and supported the directive's general priorities, but it criticised the use of bioenergy in transport.

3.2 Europe needs to systematically expand renewable energy, but it also needs to achieve comprehensive energy savings, greater energy efficiency across the board and structural changes in various sectors (such as transport).

3.3 However, the EESC rejected the special treatment of transport and the focus on agrofuels there, not least given that "the strategic requirement for the partial substitution of diesel or petrol by agrofuels is one of the least effective and most expensive climate protection measures, and that it represents an extreme misallocation of financial resources. The EESC cannot understand why the most expensive measures are being promoted politically with the greatest intensity, particularly as a huge number of environmental and social questions, let alone economic ones, remain completely unanswered (...) It therefore opposes the separate 10% target for agrofuels (8)." The Committee's view on this matter has not changed.

3.4 In any case, the Commission should not be aiming for a policy target of 10%. Its objective should be a consistent policy aimed at replacing as much as 100% of the fossil fuels currently used over the long term.

3.5 At current traffic volumes, agrofuels will only be able to play a very limited role in achieving this target. The FAO has calculated that in order to meet the present energy needs of the transport sector worldwide, 2/3 of the farmland now available worldwide would have to be given over to agrofuel production.

3.6 The impact of such a policy in terms of indirect land-use change is obvious.

3.7 Biofuels of any sort are therefore not a lasting solution for widespread over-consumption of energy. Limited availability, alone, means they can only replace fossil fuels to a very restricted degree. What is at stake here is no more than a temporary solution – especially in the case of passenger cars, where alternatives to liquid fuels are in sight – that may entail significant undesirable side-effects and must not distract attention from the unavoidable need to reduce the amount of energy we consume, regardless of where that energy comes from.

3.8 One reason for the EESC's critical view of the Commission proposal in 2008 was the issue of indirect land-use change. The Committee therefore welcomes the present initiative aimed at limiting use of conventional agrofuels.

The ILUC approach is understandable but has serious shortcomings

3.9 The Commission's theoretical approach to ILUC is understandable: whenever food or feed crops are replaced with crops for other uses (such as agrofuels, but also plant-based material, etc.) on farmland, the former have to be cultivated elsewhere, where they may have adverse environmental or social effects.

3.10 It therefore makes sense to consider indirect land-use change when shaping policy.

3.11 A study on behalf of the Commission estimated that an EU-wide proportional increase in agrofuels from the less than 5% they make up today to 10% would cause 1.4 million ha worth of indirect land-use change.

3.12 The Committee draws the attention of the Commission, the EP and the Council to the fact that indirect land-use change is not only caused by use of liquid fuels. Rather, it is inherent in the use of any biomass that is not waste material.

3.13 This means that, in order to be consistent, a similar approach to that now taken for liquid fuels would have to be used for gaseous and solid fuels. In Germany, for example, alongside the 1.2 million ha of farmland used to cultivate conventional agrofuel crops in 2011, around 1 million ha was already used to cultivate crops (primarily maize) for biogas.

(7) OJ C 77, 31.3.2009, p. 43.
(8) OJ C 77, 31.3.2009, p. 43.
Plants turned into fuel are given an ILUC factor, but those converted into electricity are not. This is illogical and inconsistent.

3.14 The EESC believes that it only makes sense to use energy sources in transport such as biomass that require separate land if there is no practical alternative. While biomass is renewable, the land it requires means that it is not available in unlimited quantities.

3.15 Alternatives are often available or can be developed, as is the case with electromobility, where wind and solar can produce energy that is much less surface-intensive: generating 10 GWh/year of electricity requires 400 ha of land for maize cultivation, for example, but only 8 ha of roof surface (covered with photovoltaic devices), or 0.3 ha (if wind turbines are used). In other words: where electromobility, for instance, is feasible and economically viable and practicable, it should be further developed and deployed so as to avoid or minimise competition for land as much as possible.

3.16 The EESC fails to see in the Commission's proposal any consistent overall strategy for bioenergy, however, nor for addressing the challenges in transport that it repeatedly cites, i.e.

(a) the very high dependency on energy imports, and

(b) the failure to control greenhouse gas emissions.

The new approach will do little to protect the climate and strengthen security of supply

3.17 The Commission is aware that advanced biofuels manufactured from waste or algae will be much more expensive than conventional agrofuels made from food crops. Since the Commission assumes that advanced fuels will be needed to meet the 10 % goal, it resorts to a gimmick when calculating how this objective can be met. Every litre of advanced fuel manufactured from feedstocks listed in Annex IX, Part A of the draft directive (i.e. algae, straw, animal manure, sewage sludge, nut shells, bark, cutter shavings, saw dust, leaves, etc.) is to be multiplied by a factor of four, that is to say weighted so that it is worth four litres of conventional agrofuel. Fuels manufactured from such feedstocks as used cooking oil, animal fats or non-food cellulosic material (Annex IX, Part B) are to be multiplied by a factor of two.

3.18 This means that the 10 % goal can be seen to be met with a 2.5 % share of advanced fuels multiplied by a factor of four. Assuming that such advanced fuels produce 60% fewer greenhouse gas emissions than fossil fuels, emissions in the transport sector stand to fall by about 1.5 %. Since emissions from transport amount to approximately 25 % of the EU's total emissions, this would translate into an overall reduction of emissions in the EU of less than half a percent.

3.19 Regardless of whether the 10 % target is met using a 2.5 % share of modern biofuels, or with a mix of no more than 5 % conventional biofuels and 1.25 % advanced biofuels, for instance – it cannot be seen as a substantial contribution to greater security of supply in the EU nor to efforts to tackle climate change.

3.20 In the long term, renewable energy will need to make up a much larger share of the energy mix in transport than the present target of 10 %. The Commission aims to cut greenhouse gas emissions in the transport sector by as much as 67 % by 2050. This proposal is no foundation for a successful strategy to meet this objective.

The Commission’s approach runs counter to a European protein strategy

3.21 The EESC stresses that an ILUC approach only makes sense for new uses of land, not regional redistribution of existing ones. It is precisely here that the Commission's proposal contains a critical mistake.

3.22 The Commission's ILUC calculations show that production of plant oils produces what is known as oil or protein cake as a by-product, the "value" of which is assessed exclusively in terms of climate policy by factoring solely its combustion value into comparative analyses of greenhouse gas emissions.

3.23 No one in Europe would think of burning oil cake, however. Moreover, the fact is that cultivating oil plants in Europe makes a lot of sense. Rape, for example, was developed through breeding in recent decades to encourage its cultivation for feed, so as to boost Europe's meagre supply of protein. The EESC has repeatedly said that this is urgently needed, because around 75 % of Europe’s protein feed is currently imported. Cultivating protein cultures in Europe can reduce imports of protein plants such as soya, and with them the adverse environmental and social effects linked in part to industrial soya cultivation overseas.
3.24 Plant oil is thus not the primary objective of cultivating oil plants: around 2/3 of the yield consists of protein cake, while only 1/3 is pressed oil. Oil, therefore, like straw, which accumulates during production (7), is the by-product or waste product.

3.25 The Commission claims that it wants to promote by-products and waste products, but its proposal casts doubt on European protein production and with it the perfectly sensible use of untreated plant oils. This is far from consistent as a policy.

ILUC is just one criterion; bioenergy is more than just a question of land use and greenhouse gas emissions.

3.26 The Commission's proposals reduce the debate about bioenergy to a comparative analysis of greenhouse gas emissions from fossil fuels and renewable energy sources. Its approach is to only allow for biogenic fuels in the RE Directive if they reduce greenhouse gas emissions by a certain amount.

3.27 The EESC emphasises that such a policy falls short because it ignores other important issues such as security of supply (including development of regional supply structures). Equally, no attention is paid to the issue of finite fossil fuels/feedstock, to social issues like displacement of small farmers and indigenous groups on overseas arable land, or to price trends on food commodity markets, because – unlike ILUC – they cannot be converted into "CO₂-equivalent" values and entered into a mathematical grid.

3.28 Moreover, the comparative greenhouse gas figures do not distinguish strictly enough between petroleum (the basis of petrol, diesel and kerosene), a finite fossil fuel, and such renewable fuels as plant oil (as a waste product of a European protein strategy). If greenhouse gas figures are to make sense they need to account for this distinction between fossils and renewables, which means that petroleum derivatives should be given a heavy negative weighting according to their specific impact. In addition, new, more damaging (for the climate) mining methods (such as those used to extract shale and tar sand oil) need to be factored into the equation for fossil fuels. This is something the Commission needs to correct.

3.29 It should also be noted that there are considerable differences between biogenic fuels. Greenhouse gas emissions from biofuels are a result of (a) the way the plants are cultivated and (b) the cost incurred in producing the biofuel, including transportation of the feedstock and end product.

3.30 Consequently, biofuels produced using crops cultivated in a way that conserves nature and resources (such as organic farming) have to be distinguished from those produced using agrochemicals (which weakens their greenhouse gas performance), while locally produced fuels have to be distinguished from those produced at centralised, large-scale plants, and so forth. The Commission does not draw this distinction.

3.31 Instead, curiously, even "advanced" fuels produced at high cost in terms of energy and transportation are given a better rating using the Commission's methods than are natural raw materials with practically no emissions (such as pure plant oil); see point 4. The EESC considers this unacceptable.

4. Specific comments

4.1 The Commission suggests that advanced biofuels pose no risk of indirect land-use change. The EESC wants to make clear that this certainly does not mean that they pose no threat to the climate. Below the Committee wishes to stress its critical view of the approach now planned by way of reference to four specific examples from the list of "waste products" proposed by the Commission.

4.2 Glycerine

4.2.1 The Commission has now focused on glycerine, among others, as an advanced biofuel in place of the conventional biodiesel, which it intends to restrict. However, it is precisely European biodiesel producers who have become the largest suppliers of glycerine in recent years – 80% of European glycerine production is derived from biodiesel production (8). The EESC wonders where the feedstock glycerine, which is to be deployed on a larger scale, will be found in future given that production of the corresponding raw material (biodiesel) is to be restricted. This does not add up.

4.2.2 The Commission itself has made clear that it would make more sense in terms of climate policy and energy to use plant oils untreated rather than esterifying them into biodiesel (see Annex V, Part A of Directive 2009/28/EC). This approach, sensible in terms of climate policy, would lead to no glycerine being produced at all. The Commission's current proposal will significantly and disastrously distort "competition" when ranking products according to their greenhouse gas emissions.

The industrial residual product glycerine, which is derived from biodiesel, is multiplied by a factor of four and

(7) In the case of rape this amounts to around nine tonnes per hectare; curiously, the energy value of this straw is not factored into the greenhouse gas calculation.

(8) See the 2009 annual report (in German) of ADM Hamburg Aktiengesellschaft: http://www.oelag.de/images_beitraege/downloads/ADM%20GB%202009%20final.pdf.
thereby given a sham superior greenhouse gas rating to that of the plant oil used to produce it. A nominal emission saving is achieved on paper with no basis in fact (see point 4.4.3).

4.3 Wood (biomass to liquid)

4.3.1 Without a doubt, it is technically possible to convert biomass into liquid (BtL), as proposed by the Commission in the case of wood, for example. The Fischer-Tropsch process used to achieve this has been around for decades; it involves completely breaking up the wood’s lignin molecules and synthesising the remaining carbon monoxide into hydrocarbon molecules, typically with injected hydrogen.

4.3.2 The process cannot be applied to wood waste or bark, but requires wood of the highest quality (which creates competition with furniture and veneering), because foreign molecules which are specifically present in wood waste and bark impede the process.

4.3.3 This process is extremely energy-intensive. 1 000 kg of the finest quality logs (60 wt % organic material) can be turned into 135 kg of diesel fuel. More than 85% of the energy introduced in the form of wood is lost in this process; no more than 15% becomes "advanced biofuel". This means that from a forest of 1 000 trees, 850 are used up as processing energy to obtain fuel from fewer than 150 trees. With subsequent combustion of the BtL fuel in car engines, the entirety of the CO₂ captured by all 1 000 trees through photosynthesis is released.

4.3.4 This is an unacceptably low level of energy efficiency, and far from that repeatedly called for by the Commission. Energy-efficiency objectives require investment in processes which can achieve an impact that is acceptable in terms of energy use.

4.3.5 Nevertheless, this process is presented in EU renewable energy policy as largely CO₂-neutral, precisely because it involves using wood as processing energy. At the same time, the EU plans to build carbon capture and storage infrastructure. What advantage does this offer in comparison to transforming wood into liquid fuel for transport (10)?

4.3.6 Naturally, the EESC accepts that wood from sustainably managed forests can and should also be used for energy purposes to replace fossil fuels such as oil and coal. However, it has already made clear (10) that the recommendations of the Joint Research Centre should be followed and that measures that are most economically sensible and most effective in terms of climate policy should be given priority. This is true above all of wood used to produced heat (such as in district heating systems, ideally as part of combined heat and power plants), and not of energy-intensive chemical conversion of wood into liquid fuel for transport (10).

4.4 Straw

4.4.1 From an environmental and climate policy point of view, it is highly problematic for the Commission to define straw as a mere feedstock (in the sense of useless waste). For centuries, straw has been the principal material recycled on farms. On a single hectare of farmland, there are 10 tonnes of creatures that need to be fed. It is important to understand that humus has been created by soil life precisely from straw, leaves and decayed grass, etc. over several centuries. Humus means soil quality, fertility and CO₂ sinks.

4.4.2 It is not obvious to the EESC what the Commission actually wants: to build and expand CO₂ sinks, or to remove one of the key sources of potential sinks by prioritising the use of straw in fuel production?

4.4.3 The EU is encouraging the latter by designating straw as waste and processing it – at great energy cost – into an advanced fuel that will count towards transport sector climate change goals by a factor of four. The corresponding loss of CO₂ sinks is not taken into account.

4.4.4 Another consequence that has not been thought through is that when straw is removed from the soil ecosystem, this does not just create problems for the soil structure and microorganisms. The nutrients derived from it have to be replaced with mineral fertiliser, which costs both money and considerable energy to produce.

4.4.5 If policy makers make straw a commodity for which farmers are paid, the latter stand to profit. They receive nothing, however, for creation of humus and carbon capture in soil, or for energy savings from recycling straw on the farm. This creates clear false incentives.

4.4.6 The Committee points to its opinion of 19 September 2012 on the Proposal for a Decision of the European Parliament and of the Council on accounting rules and action plans on greenhouse gas emissions and removals resulting from activities related to land use, land use change and forestry \[1\]. There it argued that the proposed action plans for the creation of carbon pools in agriculture “must at all costs be flanked by other policy measures, or combined with existing ones, so that framework conditions can be created that enable landowners and land managers to implement effective LULUCF measures in a way that makes economic sense and not only at their own cost.” It is unfortunate that less than two months after the Committee articulated this principle the Commission has come out with its present proposal to turn straw into an advanced fuel, moving in completely the opposite direction.

5.3 Instead of converting wood at great energy cost and then burning it in cars, it should either be used to capture carbon or burned in its natural state to replace fossil fuels in heating.

5.4 The Commission should develop a strategy that links energy supply needs with natural agricultural and forestry processes in an energy-efficient way, as in the case of the planned European protein strategy. This means that cultivation of oil plants in Europe, which produce both protein feed and plant oil (and are therefore a substitute for imported soya), should be promoted as part of sustainable agriculture, not restricted.

5.5 The Commission should strategically guide deployment of biofuels, the opportunities for the use of which are limited, towards areas where – unlike passenger cars – feasible and promising alternatives to fossil fuels are yet to be found. Such areas include aviation and shipping, but also off-road areas such as agriculture and forestry.

5.6 However, it should also take its own principle seriously, namely that bioenergy should be introduced where it can have the greatest energy and climate policy impact at the least expense. This is clearly true of heat utilisation, not liquid fuels.

5.7 The EESC has already expressed its views on renewable energy in agriculture on a number of occasions, one of which was that pure plant oils offer interesting alternatives there. Austria, for example, is capitalising on results showing this from a project supported by the Commission under FP7 using pure plant oils that have not been chemically altered, and will deploy them in agriculture on a larger scale. It is unfortunate that the Commission has failed to remark on this anywhere or to respond with its own initiatives.

\[1\] Of C 351, 15.11.2012, p. 85.

5.8 In future the EESC would like to play an even more active part in the debate on issues like land use and land competition and in the increasing issue of soil sealing.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE
APPENDIX

to the Opinion of the European Economic and Social Committee

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

**Point 3.16 (Amendment 8)**
Amend as follows:

The EESC fails to see in the Commission’s proposal any consistent overall strategy for bioenergy, however, nor for addressing the challenges in transport that it repeatedly cites, i.e.

(a) the very high dependency on energy imports, and
(b) the failure to control greenhouse gas emissions.

Moreover, it should be noted that, at a practical and technical level, the reporting obligation for greenhouse gas emissions arising from land-use changes is hardly feasible and would at any event mean considerable extra efforts for both the administration and the companies concerned.

**Reason**
To be given orally.

**Voting:**
- For 63
- Against 79
- Abstentions 34

**Point 4.3.1 (Amendment 11)**
Amend as follows:

Without a doubt, it is technically possible to convert biomass into liquid (BtL), as proposed by the Commission in the case of wood, for example. The Fischer-Tropsch process used to achieve this has been around for decades; it involves completely breaking up the wood’s lignin molecules and synthesising the remaining carbon monoxide into hydrocarbon molecules, typically with injected hydrogen.

It is technically possible to convert biomass into liquid fuel (BtL), as proposed by the Commission in the case of wood, using a number of different methods. The Fischer-Tropsch process (which involves completely breaking down the wood’s lignin molecules and synthesising the remaining carbon monoxide into hydrocarbon molecules, typically with injected hydrogen), for example, has been around for decades. New methods have been developed in addition to this.

**Reason**
Although the Fischer-Tropsch process is well known, it is misleading to use just one method as an example.

**Voting:**
- For 53
- Against 89
- Abstentions 30

**Point 4.3.2 (Amendment 12)**
Amend as follows:

The process cannot be applied to wood waste or bark, but requires wood of the highest quality (which creates competition with furniture and veneering), because foreign molecules which are specifically present in wood waste and bark impede the process.

In line with the principle of resource efficiency, these processes can be applied to logging residue, industrial by-product streams, and thinnings collected in the process of forest management. This makes for more efficient use of wood, and does not result in high-quality logs being used to produce energy.
Reason
The original text was inaccurate. The processes enable more efficient use of wood.

Voting:
For 54
Against 96
Abstentions 27

Point 4.3.3 (Amendment 13)
Amend as follows:

This process is extremely energy-intensive. 1,000 kg of the finest quality logs (60 wt% organic material) can be turned into 135 kg of diesel fuel. More than 85% of the energy introduced in the form of wood is lost in this process; no more than 15% becomes "advanced biofuel." This means that from a forest of 1,000 trees, 850 are used up as processing energy to obtain fuel from fewer than 150 trees. With subsequent combustion of the BtL fuel in car engines, the entirety of the CO₂ captured by all 1,000 trees through photosynthesis is released. When properly conducted, this process is extremely energy- and resource-efficient. The best quality logs are still used to produce sawn timber and other products, and by-products such as bark, sawdust and forest scraps are processed to make transport fuels, electricity and heating. 526 kg of methanol and 205 kg of FT diesel can be produced from 1,000 kg of dry wood. This means that about 60% of the energy content of wood can be converted to methanol or some 50% to diesel fuel using technologies that are already industrially proven. Processes are being developed with which it will be possible to improve efficiency by a further 5%. If fuel production is integrated into the forestry industry or other industries that consume heat, it will be possible to harness the heat produced as a by-product of the process, bringing the total efficiency of wood use to a level of 70-80%.

Reason
The statement is not correct and gives a completely wrong impression of current biofuel production.

Voting:
For 66
Against 99
Abstentions 24

Point 4.3.5 (Amendment 15)
Amend as follows:

Nevertheless, this process is presented in EU renewable energy policy as largely CO₂-neutral precisely because it involves using wood as processing energy. At the same time, the EU plans to build carbon capture and storage infrastructure. What advantage does this offer in comparison to transforming CO₂ into wood and storing it there long term, rather than releasing it anew by burning it to produce "advanced biofuels," for example? Wood is considered to be a proven carbon-neutral energy source in view of the time it takes for trees to grow. Use of biomass has been shown to have positive climate effects by improving forest growing capacity and increasing carbon sequestration, and because it replaces the use of fossil fuels and other non-renewable materials.

Reason
Sustainable forestry and increased use of wood demonstrably increase the carbon-binding capacity of wood and function as a substitute for non-renewable materials. It is misleading to say that forests would work as a more efficient carbon sink if they were excluded from use.

Voting:
For 60
Against 96
Abstentions 25
Point 1.5 (Amendment 1)
Amend as follows:

Another reason why the ILUC approach adopted by the Commission is questionable is that it is intended to apply to liquid fuel sources, but not gaseous or solid ones. The EESC does not agree with this.

Reason
Given that the ILUC approach appears to be problematic as a whole, it does not make sense to argue for it to be applied to other energy sources as well. Separate sustainability criteria are currently being developed for gaseous and solid fuel sources. The reservations expressed in this opinion should be addressed before the ILUC approach is recommended elsewhere.

Voting:
For 56
Against 93
Abstentions 36

Point 1.7 (Amendment 9)
Amend as follows:

In the case of what the Commission calls "advanced" biofuels, which it now wants to promote, the EESC is concerned that valuable potential carbon sinks (such as wood, trees and leaves) will be used to produce fuels, which would increase CO₂ levels in the atmosphere (see point 4).

Reason
The idea is not to use Europe's deciduous or coniferous forests to produce advanced biofuels, just thinnings and wood scraps. With current techniques, biofuels are more efficient than the original text suggests; see the amendment to point 4.3.3.

Voting:
For 47
Against 121
Abstentions 18

COM(2013) 40 final — 2013/0022 (COD)
(2013)C 198/10

Rapporteur: Mr PEZZINI


The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 April 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April), the European Economic and Social Committee adopted the following opinion by 169 votes to 1, with 5 abstentions.

1. Conclusions and recommendations

1.1 The Committee welcomes the initiative to adapt the structures of the EU's global navigation satellite system agency in order to ensure the full independence of its bodies and a clear separation of accreditation and security activities from other activities.

1.2 The Committee thinks that the new framework of independence and cooperation within the European GNSS Agency (GSA) is adequate. Therefore, as things stand, the Committee supports the proposal to amend Regulation (EU) No 912/2010 setting up the GSA and recommends accepting this proposal insofar as it proves capable of fully achieving the stated objectives.

1.3 The Committee thus deems it important, in order to assess whether the solution adopted is in fact the best one possible, that the actual implementation of the functional structures put in place be monitored on an ongoing basis and that the Commission present regular substantiated reports in this regard.

1.4 The Committee highlights again the key role played by the European satellite navigation programmes EGNOS and Galileo, as a driver for innovation and competitiveness, for the benefit of the public, in the context of European space policy and the Europe 2020 strategy and in conjunction with the major global Earth monitoring and security projects, which should ensure that strong leadership and strategic independence in space can be maintained for the future of Europe.

1.5 In the Committee's view, the EU should realise that the objectives achieved in terms of the sustainable and peaceful integration and development of the Member States should enable the resources saved to be devoted to the accelerated development of major joint projects such as Galileo, GMES and ITER (Global Monitoring for Environment and Security – GMES – and International Thermonuclear Experimental Reactor – ITER), which are competitive at global level.

1.6 The Committee expresses its deep disappointment regarding the European Council's decision on 19 February 2013 to reduce the financial allocation for Galileo in the EU's multiannual financial framework for 2014-2020, and urges the EU institutions, and in particular the European Parliament, to review this decision, and at the same time to step up their commitment to GMES and ITER.

1.7 The Committee deems it vital to ensure the compatibility and interoperability of Galileo with other satellite navigation systems and with the European standards, adopted at global level.

1.8 The Committee calls for a strong support and awareness-raising campaign on the benefits deriving from the GNSS programmes, to enable the public to take optimum advantage of the new opportunities arising from the Galileo and EGNOS services.

1.9 The Committee also believes that construction of the Galileo Security Monitoring Centres should be accelerated.

1.10 The Committee expresses strong reservations about offloading existing research and innovation support activities – carried out to date by the Commission – onto agencies, and calls on it to take more account of the positive experiences here to date.
1.11 The Committee recommends expediting the delegation agreement between the Commission and the GSA, particularly in respect of promoting the inclusion of GNSS technologies across different areas of research and their integration in sectoral policy initiatives, while avoiding further delays, additional to those accumulated by the Galileo programme.

2. Introduction

2.1 The global positioning, timing and navigation satellite system – GNSS – is helping to drive European technological innovation, for the benefit of the public, businesses, public administrations and society, providing navigation services, creating jobs and generating further competitive economic advantages.

2.2 The Committee has already adopted a number of opinions on the Galileo programme (1). Security requirements play an essential role in the design, implementation and operation of the infrastructures emerging from the Galileo and EGNOS programmes.

2.3 It is important that the Galileo system, which has already experienced several delays, finally come into operation as soon as possible – without procedural complications or conflicts of interest – so that Europe has its own satellite navigation system, and does not have to depend on services provided by others, especially where used for military purposes.

2.4 The Committee is fully aware that the use of satellite navigation across a great number of fields of activity helps to increase security, and in the commercial sphere, to increase revenue, provided that there is operational continuity and no interruption to the supply of services.

2.5 The Commission has placed the issue of risk management – the importance of which was highlighted when the governance reform took place in 2007 – at the heart of its work. All the risks relating to the programmes are recorded centrally in a register, including those associated with the industrial supply chain, external factors such as the influence of political authorities and security requirements and internal factors such as the organisation of the programmes and the GNSS supervisory authority which, from 2007, took over the responsibilities of the former Galileo joint undertaking (2).

2.6 Each risk is allocated a degree of probability and an impact rating. The risk register covers a multitude of eventualities: technological risks; industrial risks, as regards developing integrated systems, particularly with regard to security; market risk; governance risk; and liability-related risk, relating to the infrastructure provided.

2.7 Where security is concerned, it needs to be remembered that, while the Commission is responsible for the management and security of the systems under the Regulation, its freedom is constrained in this area by two major factors.

2.7.1 Firstly, it is the Member States that define security needs, given that the threats that might affect the security of sensitive infrastructure such as that supporting satellite radio navigation are constantly changing. Covering part of such risks is a matter for the Member States.

2.7.2 Secondly, the GNSS Regulation (EC) No 683/2008 gives responsibility for accrediting the security of systems to the GSA. Separating the functions of management and accreditation in this way reflects good governance, and is standard practice and essential for this type of project.

2.8 As previously pointed out by the Committee, "the successful delivery and management of the European GNSS programmes, both Galileo and EGNOS, is critical to achieving the vision of smart, sustainable and inclusive growth envisioned by the Europe 2020 strategy", considering also that "the GNSS programmes, as proposed, will generate EUR 68.63 bn of net benefits to the Union during the system lifecycle of 2014-2034" (3).

2.9 The Committee has also welcomed the stipulation that the Commission "must manage the funds allocated to the programmes, and supervise the implementation of all activities of the programmes, including those delegated to both the GSA and the European Space Agency (ESA)" and "develop a risk management mechanism" (4).

2.10 The Committee deems it vital to reinforce the independence of the activities associated with security accreditation, to ensure the full separation of these activities from the other activities of the GSA Agency, so as to prevent conflicts of interest, particularly with other functions (5), and the risk of being both judge and interested party.

2.11 The Committee feels that, in this new context, it is essential to ensure that the Security Accreditation Board (SAB) is able to carry out the task entrusted to it with complete independence vis-à-vis the other bodies and activities of the GSA, through a clear separation, within the Agency, between accreditation activities and other activities.

2.12 Furthermore, the EP has highlighted that "the long-term governance and management structure of GNSS should address the division of tasks and responsibilities between the Commission, the GSA and the ESA, as well as other relevant issues, such as appropriate cost-sharing, the revenue-sharing
mechanism, the liability regime, pricing policy and the possible involvement and contribution of the private sector in the GNSS programmes" (see EP Resolution of 8 June 2011 – P7_TA(2011)0265).

2.13 The Council, for its part, has declared that accreditation activities – currently governed by Chapter II of Regulation (EU) No 912/2010 – should be performed in a strictly independent manner with regard to the other tasks entrusted to the GSA (see EU Council document No 11279/12 ADD 1 – 7.6.2012).

2.14 In order to achieve this, the Commission proposes that Regulation (EU) No 912/2010 must be amended in order to increase the independence and powers of the Security Accreditation Board and its chairperson and to align these largely with the Administrative Board and the Executive Director of the Agency respectively, while providing for a cooperation requirement between the various bodies of the Agency.*

2.15 The Committee supports the Commission’s proposal to amend Regulation (EU) No 912/2010 and recommends accepting the proposed rules insofar as it can be demonstrated, with the help of checks and regular reports, that they actually fulfil the stated objectives.

3. General comments on the EU’s GNSS programme

3.1 The Committee reiterates that European space policy is a key element of the Europe 2020 strategy and a driver for innovation and competitiveness for the benefit of the public: the European satellite navigation programmes EGNOS and Galileo have a central role to play here, which must be harnessed and reinforced, together with the GMES project (6).

3.2 The Committee emphasises the strategic importance of space policy and the GNSS programme in the drive to establish a genuine European industrial policy based on practical projects with tangible benefits for the public and for business.

3.3 The actual implementation of the European GNSS governance system will thus be crucial to assessing whether the solution adopted is in fact the best one possible. While supporting the proposed changes, the Committee thus calls for the actual implementation of the functional structures put in place to be monitored on an ongoing basis and for the Commission to present regular substantiated reports in this regard.

3.4 The Committee expresses its deep disappointment regarding the European Council’s decision on 19 February 2013 to reduce the financial allocation for Galileo, in the EU’s multiannual financial framework for 2014-2020, to only EUR 6.3 billion, from the EUR 7.9 billion envisaged by the Commission.

3.5 When adopting the final decision on the multiannual financial framework for 2014-2020, the Committee calls on the EU institutions, and in particular on the European Parliament, to restore the funding levels previously proposed for Galileo, and at the same time to step up their commitment to the GMES and ITER projects (7).

3.6 Furthermore, the GSA should develop a strong support and awareness-raising campaign on the benefits deriving from the GNSS programmes, to enable the public to take optimum advantage of the new commercialisation opportunities arising from the Galileo and EGNOS services, in order to foster their market uptake and maximise the expected socio-economic benefits.

4. Specific comments

4.1 Adequacy of the governance framework. In view of the transfer to the GSA of the management of EGNOS exploitation and – as of January 2014 – of the exploitation phase of Galileo, the Committee thinks that the proposed new framework of independence and cooperation within the GSA is adequate and in line with the inter-institutional guidelines. It believes, however, that these positive developments should be kept under review to check whether the proposed solutions prove in practice to fulfil the stated objectives in the best way possible.

4.2 Galileo Security Monitoring Centres. Construction of the Galileo Security Monitoring Centres, in France and in the UK, should be accelerated and their structure and resources bolstered. Training measures must also be bolstered, to meet requirements in terms of access to PRS (Public Regulated Service) for PRS users.

4.3 Communication activities. The Agency’s full communication campaigns should be progressively stepped up, as the Galileo services are rolled out, with a view to reaching full operational capabilities in 2018-2019. The Agency should manage centres of excellence to promote the development and uptake of GNSS applications, and develop a brand strategy and a quality mark for EGNOS/GALILEO technology and services (by "quality mark" the Committee means a trademark system of licensing approved EGNOS/GALILEO technology providers to sell technology and solutions that meet rigorous technical standards of excellence. For example, such a trademark system was used very successfully by the global WiFi Alliance to accelerate the market success of wireless LAN technology). See http://en.wikipedia.org/wiki/Wi-Fi_Alliance (8).

4.4 Research and innovation. The Committee has expressed strong reservations about the move towards "off-loading existing research and innovation support tasks and activities onto agencies, with the Commission restricting itself to dealing with legal matters and financial administration" and has recommended that "experience with large-scale projects of this nature, that venture into new technological territory, be better taken into account by creating an appropriate ‘contingency’ of e.g. 10 %" (9).

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4.5 **Timeframe and procedures for implementation.** The Committee is concerned about the delays in adopting the regulation on the implementation and exploitation of European satellite navigation systems, to replace Regulation (EC) No 683/2008, which is currently under discussion at the European Parliament and the Council, given that this is closely linked to the Commission proposal under review here.

Brussels, 17 April 2013.

The President
_of the European Economic and Social Committee_

Henri MALOSSE

COM(2013) 09 final — 2013/0007 (COD)
(2013/C 198/11)

Rapporteur working alone: Mr Sarró IPARRAGUIRRE

On 5 February 2013, the European Parliament and the Council decided to consult the European Economic and Social Committee, under Article 43(2) and Article 304 of the Treaty on the Functioning of the European Union, on the


The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, appointed Mr Sarró Iparraguirre rapporteur and adopted its opinion on 25 March 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April), the European Economic and Social Committee adopted the following opinion by 177 votes with 10 abstentions.

1. Conclusions and recommendations

1.1 The EESC considers that the amendment to Regulation (EC) No 1224/2009 is necessary, in order to bring it into line with the Treaty on the Functioning of the European Union (TFEU).

1.2 The Committee believes that a number of essential aspects, which are discussed in this opinion, should be adopted by implementing acts and not by delegating acts.

2. Background

2.1 Regulation (EC) No 1224/2009 establishes a Community control system to ensure compliance with the rules of the common fisheries policy (CFP).

2.2 This regulation empowers the Commission to apply some of the provisions contained therein.

2.3 The TFEU makes a distinction between the powers delegated to the Commission to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of the legislative act (delegated acts, Article 290(1)), and the powers conferred upon the Commission to adopt uniform conditions for implementing legally binding Union acts (implementing acts, Article 291(2)).

2.4 Given the need, therefore, to adapt Regulation (EC) No 1224/2009 to the TFEU’s new rules on decision-making, the European Commission has put forward a proposal to amend the regulation. This opinion analyses the proposal, which reclassifies the powers conferred on the Commission into delegated powers or implementing powers.

3. Analysis of the proposal

3.1 The proposal identifies the powers conferred upon the Commission in Council Regulation (EC) No 1224/2009 and classifies these as delegated or implementing powers.

3.2 It also adapts certain provisions to the decision-making procedures set out in the TFEU.

3.3 It does so by amending 66 articles of Regulation (EC) No 1224/2009.

3.4 Analysing the proposal is therefore extremely complex, because the amendment of these 66 articles consists of some two hundred amendments to Regulation (EC) No 1224/2009, conferring on the Commission powers to adopt delegated and implementing acts.

3.5 Powers to adopt delegated acts shall be conferred for an indeterminate period of time and may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

3.6 Delegated acts shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months on the initiative of the European Parliament or the Council.
3.7 The Commission shall be assisted in these procedures by the Committee for Fisheries and Aquaculture established by Article 30 of Regulation (EC) No 2371/2002.

3.8 The EESC has in its opinions supported empowering the Commission to adopt delegated control acts with a view to ensuring compliance with CFP rules.

3.9 The Committee considers however, that where this proposal is concerned, given the high number of amendments to Regulation (EC) No 1224/2009, prior consensus with the Member States should be secured on the content and scope of all the amendments that have been tabled.

4. Specific comments

4.1 The general approach of the TFEU is that essential aspects of legislation should be adopted by implementing acts, while non-essential aspects should be adopted by delegated acts.

4.2 Having analysed the proposal, the EESC considers that at least the aspects of any measure on:

— prior notification and transhipment;
— the adoption of changes to the way and frequency for data transmission to the Commission for quotas and fishing effort;
— exemptions for certain fleets from the obligation to submit sales notes;
— the adoption of rules on stowage plans and;
— the determination of fisheries subject to specific control and inspection programmes;

should not, given their importance, be adopted by delegated acts but by implementing acts.

4.3 Lastly, the Committee wishes to express its surprise at the fact that the power to adopt a delegated act may be withdrawn at any time from the Commission on a matter over which it is recognised to have authority and yet this does not entail the automatic repeal of the delegated act that has already been adopted on the matter.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE

Rapporteur: Mr HENCKS


The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 3 April 2013.

At its 489th plenary session, held on 17 and 18 April 2013 (meeting of 17 April), the European Economic and Social Committee adopted the following opinion by 195 votes to 1 with 1 abstention.

1. Conclusions and recommendations

1.1 The Committee congratulates the Commission on the measures to prevent accidents in civil aviation and on strengthening flows of information on occurrences or incidents which endanger or which, if not corrected, would endanger passengers or any other person or an aircraft.

1.2 In order to be able to identify and prevent potential causes of accidents in civil aviation, all those working in the sector must be required to report all occurrences which could represent a safety risk, including mistakes they may have made or contributed to themselves or for which a colleague is responsible.

1.3 This reporting system can only function effectively if:

— the sole objective of occurrence reporting is the prevention of accidents and incidents, and not the attribution of blame or liability, and

— it is implemented in the context of a "Just Culture" which shields the employees concerned from any proceedings brought against them by their employer and protects them from any prejudice or legal action for involuntary errors, except in the case of wilful gross negligence which is clearly identified as such.

1.4 The Committee considers that the existing or additional measures for the protection of information sources provided for in the proposal could be further reinforced or supplemented. To this end, the Committee:

— reiterates its proposal to draw up an EU Charter on Just Culture,

— proposes that it be stated explicitly that in addition to the Member States, organisations in the civil aviation sector shall also refrain from instituting proceedings in respect of unpremeditated or inadvertent infringements of the law which come to their attention only because they have been reported, and

— recommends that the internal rules describing how Just Culture principles are guaranteed and implemented, to be drawn up by the organisations in the sector, should be approved by the competent public authority before implementation.

1.5 Given the key importance of a Just Culture for the effective protection of reporters, in the clear interest of preventing any risk of accident, the Committee has commissioned an external expert to carry out a study on this subject, and will certainly forward the conclusions to the interested parties.

1.6 The Committee has reservations about the new measure whereby henceforth, reporters will be able to forward their report either to their employer or to the competent public authority, although previously reports were sent only to the public authority. It considers that with a view to ensuring neutrality and avoiding any interference by the employer in the record of facts drawn up by the reporter, it should be mandatory for a copy of the report forwarded directly to the employer to be sent by the reporter to the competent public authority at the same time.
1.7 The Committee regrets that the regulation makes no explicit provision for incident reporting by passengers, although passengers often have a more vigilant approach to safety risks in infrastructure and services and observe failures that, through routine, people working in the sector see differently. This also applies to people with reduced mobility, who are best placed to evaluate risk factors for their specific situation. The Committee therefore proposes that procedures be established to integrate all passengers into the flow of information on occurrences to be reported.

1.8 Lastly, the Committee considers that occurrences or failures observed during embarkation operations, particularly passenger security checks, should be included in the scope of mandatory occurrence reporting.

2. Introduction

2.1 Since the creation of the single aviation market in 1992, compliance with ever stricter regulatory requirements in the area of aviation safety for aircraft registered in a Member State or operated by a company established in a Member State, supported by detailed, independent investigations into accidents, has resulted in a marked and almost continuous drop in the rate of fatal aviation accidents.

2.2 Experience has shown that before an accident takes place, various incidents or failures signal the existence of a safety risk. It quickly became clear that it was increasingly difficult to increase aviation safety solely by means of the "reactive" approach used so far, which consisted of reacting and learning lessons only after accidents had occurred.

2.3 The European Union therefore needed to move beyond concentrating on lawmaking and place equal emphasis on addressing the risks to aviation safety in a systemic fashion. Through Directive 2003/42/EC on occurrence reporting in civil aviation, it adopted a complementary "proactive" approach.

2.4 The reporting system is based on trust between the person reporting these incidents or failures and the body responsible for collecting and evaluating the relevant data.

2.5 In 2007, the EU set up a European Central Repository (ECR) grouping together all civil aviation occurrences collected by Member States; around 600 000 occurrences are currently stored in the ECR.

2.6 Owing to its sensitive nature, the information collected is confidential and can be used solely for the purpose of the activities of participants and addressees. In order to avoid groundless fears and reactions, information made publicly available must be disseminated in aggregate form and generally be limited to an annual report on overall safety in aviation.

2.7 In addition to the system of mandatory reporting, Member States may put in place a system of voluntary reporting to collect and analyse information on observed deficiencies in civil aviation which do not fall within the scope of mandatory reporting.

2.8 The reporting requirement applies to the entire aviation chain, such as aviation operators, certified aerodrome operators and ground-handling companies.

2.9 The various categories of personnel working in civil aviation who observe occurrences of interest for the prevention of accidents are required to report them.

2.10 All the personal details of the reporter as well as technical aspects which could help to identify that person must be deleted from the report. Member States must ensure that workers who report incidents are not subjected to any prejudice by their employer; no administrative, disciplinary or professional penalty may be inflicted on a person who has reported such an occurrence, except in the case of gross negligence or wilful violation.

3. Content of the new regulation

3.1 According to the European Commission, the transmission of occurrence reports in the EU and the use of the ECR are still affected by a number of gaps which limit their usefulness and seriously undermine the ability of experience feedback to prevent accidents. The Commission has proposed the following measures to remedy this situation:

3.1.1 Better collection of occurrences

The proposal establishes the environment for ensuring that all occurrences which endanger or would endanger aviation safety are reported. In addition to the mandatory information system, the proposal imposes the establishment of voluntary systems.

The proposal also contains provisions for encouraging aviation professionals to report information without fear of punishment except in cases of gross negligence.

3.1.2 Clarification of the flow of information

Every organisation active in the aviation sector will also be required, alongside the public authority, to implement a reporting system.

3.1.3 Improved quality and completeness of data

Occurrence reports will have to contain minimum information with set mandatory data fields. Occurrences will have to be classified in terms of risk according to the future European common risk classification scheme. In addition, quality data checking processes will have to be implemented.

3.1.4 Better exchange of information

The access by Member States and EASA to the ECR is extended to all information contained in the database. All reports should be compatible with the EU's ECCAIRS software.
3.1.5 Better protection against inappropriate use of safety information

Beside the obligation to guarantee the confidentiality of the data collected, it must only be made available and used for the purpose of maintaining or improving aviation safety. Arrangements must be agreed with the judicial authorities to mitigate the negative impact of using this data for legal purposes.

3.1.6 Better protection of reporters to ensure the continued availability of information (Just Culture)

The rules on the protection of occurrence reporters are strengthened and the obligation to disidentify occurrence reports and limit access to fully identified data to a restricted circle is reaffirmed. The rule under which employees shall not be subject to prejudice from their employer, except in cases of gross negligence (as defined in Article 2(4) of the proposal), on the basis of the information reported, is reinforced. Organisations active in the civil aviation sector are asked to adopt a policy describing how the employees' protection is guaranteed. In addition, each Member State must establish a body responsible for the implementation of the provisions on the protection of sources, to which reporters can report infringements of the rules. Where appropriate, this body can propose that its Member State adopt penalties against employers which have infringed the rules.

3.1.7 Introduction of requirements on information analysis and adoption of follow-up actions at national level

The proposal transposes into EU law the rules on the analysis and follow-up of reported occurrences agreed at international level.

3.1.8 Stronger analysis at EU level

The principle that the information contained in the ECR shall be analysed by the EASA and the Member States is reinforced and the ongoing collaboration formalised within a Network of Aviation Safety Analysts chaired by the EASA.

3.1.9 Improved transparency towards the general public

With due regard for the necessary confidentiality, the Member States must publish an annual report setting out, in aggregate form, information on measures taken to boost aviation safety.

4. General comments

4.1 The Committee congratulates the Commission on the measures to prevent accidents in civil aviation and on strengthening flows of information on occurrences which endanger or which, if not corrected, would endanger passengers or any other person or an aircraft.

4.2 It also welcomes the move to simplify legislation in this area, as the Commission has united one former directive and two regulations in a single text.

4.3 Given that the Member States regularly exceed the deadlines for transposing directives – this was the case for Directive 2003/42/EC on the subject at hand – and given that identifying any safety problems as rapidly as possible can avoid disasters and save lives, the Committee agrees with the Commission that a legislative act which is directly applicable (a regulation in this case) is the most appropriate legal instrument to achieve the goals set.

4.4 Without casting doubt on the overall approval of the proposal under discussion, the Committee nonetheless wishes to raise a number of points:

4.5 Henceforth, reporters will be able to forward their report either to their employer or to the competent public authority, although previously reports were sent only to the public authority. Where reports are sent directly to the employer, the employer must forward them to the competent public authority. However, Article 7(3) of the proposal stipulates that organisations in the sector "shall establish data quality checking processes notably to ensure consistency between the different data contained in an occurrence report and the initial details on occurrence reported by the reporter".

From this, the Committee concludes that data concerning initial details on occurrences reported by the reporter are not necessarily the same as those sent on to the public authority, and cannot endorse this situation.

It expresses reservations regarding reports forwarded directly to the employer. With a view to ensuring neutrality and avoiding any interference by the employer in the record of facts drawn up by the reporter, a copy of the report should be sent by the reporter to the competent public authority at the same time.

4.6 The Committee notes that the list of incidents to be reported under the mandatory occurrence reporting scheme (Annex 1 of the regulation) does not include incidents regarding pre-embarkation operations. Therefore, any failures during the pre-embarkation security checks must, at most, be reported under the voluntary reporting process. However, such failures can have such disastrous repercussions that the Committee considers that they should be included in the scope of mandatory occurrence reporting.

4.7 Similarly, the proposal does not make explicit provision for incident reporting by passengers although it does not exclude this when it states that the voluntary reporting systems shall allow the collection of details on occurrences by people other than those working in the sector for whom reporting is an obligation.

In fact, passengers often have a more vigilant approach to safety risks in infrastructure and services and observe failures that, through routine or professional habit, people working in the sector see differently. The Committee therefore proposes that procedures be established to integrate passengers into the flow...
of information on occurrences to be reported. This also applies to people with reduced mobility who, in Annex I (4.3) of the regulation, are treated on the same footing as the handling of baggage and cargo, despite the fact that the risk factors are completely different.

5. **Just Culture**

5.1 In order to be able to identify and prevent potential causes of accidents in civil aviation, all those working in the sector must be required to report all occurrences which could represent a safety risk.

5.2 Where appropriate, those concerned must be asked to report mistakes they may have made or contributed to themselves or for which a colleague is responsible.

5.3 Clearly, this reporting system can only function effectively if it is implemented in the context of a "Just Culture" which shields the employees concerned from any proceedings brought against them by their employer and protects them from any prejudice or legal action for involuntary errors, except in the case of wilful gross negligence clearly identified as such.

5.4 The Committee therefore welcomes the emphasis placed on the fact that the sole objective of occurrence reporting is the prevention of accidents and incidents, and not the attribution of blame or liability, and welcomes the proposal’s move to reaffirm and complete the measures to protect reporters – although these measures could be made stronger.

5.5 Accordingly, in its opinion on the regulation on investigation and prevention of accidents in civil aviation (1), the Committee stressed that more needed to be done at EU level to guarantee that all Member States amended their national penal systems to develop a Just Culture, and highlighted the importance of drawing up an "EU Charter on Just Culture" in order to avoid punishment for involuntary errors.

5.6 The Committee regrets that this proposal was not taken up in the draft regulation under discussion; the draft regulation does provide for cooperation between safety authorities and judicial authorities in the form of advance arrangements (Article 15(4): "These advance arrangements shall seek to ensure the correct balance between the need for proper administration of justice on the one hand, and the necessary continued availability of safety information on the other."); which is a step in the right direction, but these arrangements deal only with the "appropriate" confidentiality of the information and do not protect reporters from legal proceedings.

5.7 As regards the protection of reporters, the provision which stipulates that "Member States shall refrain from instituting proceedings in respect of unpremeditated or inadvertent infringements of the law which come to their attention only because they have been reported" should also apply to the reporter’s employer; Article 16(3) of the proposal should be completed accordingly.

5.8 As regards the provision requiring each organisation in the sector to adopt internal rules describing how Just Culture principles are guaranteed and implemented, the Committee proposes that these rules be approved beforehand by the body competent in each Member State for implementing EU provisions on the protection of information sources.

5.9 Although every element of the regulation is mandatory and directly applicable in every Member State on the twentieth day following its publication in the Official Journal of the EU, some of those elements (notably the internal rules describing how Just Culture principles are implemented by the organisations, or the rules applicable in the event of infringement of the regulation) have yet to be drawn up or, where necessary, transposed into national law. The Committee would have preferred that the regulation set a deadline for the implementation of these elements.

5.10 Given the key importance of a Just Culture which protects those concerned effectively, in the clear interest of preventing any risk of accident, the Committee has commissioned an external expert to carry out a study on this subject, and will certainly forward the conclusions to the interested parties.

Brussels, 17 April 2013.

The President  
of the European Economic and Social Committee  
Henri MALOSSE

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COM(2013) 102 final — 2013/0062 COD
(2013)C 198/13)

On 12 March and 15 March 2013, the European Parliament and the Council respectively decided to consult the European Economic and Social Committee, under Article 153, paragraph 2 of the Treaty on the Functioning of the European Union, on the


Since the Committee has already set out its views on the content of the proposal in question in its opinion CESE 493/2008, adopted on 12 March 2008 (*), it decided, at its 489th plenary session of 17 and 18 April 2013 (meeting of 17 April 2013), by 175 votes to 3 with 10 abstentions, not to draw up a new opinion on the subject, but to refer to the position it had taken in the above-mentioned document.

Brussels, 17 April 2013.

The President
of the European Economic and Social Committee

Henri MALOSSE

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