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European Economic and Social Committee

525th EESC plenary session of 26 and 27 April 2017

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EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

525th EESC plenary session of 26 and 27 April 2017


1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) has considerable experience working on policy in the transport sector and has more recently considered the gender dimension in this traditionally male dominated sector (see opinion TEN/573 Women and Transport (1)). As the EU institution representing civil society, it has expertise in stakeholder dialogue and consultation on legislative actions.

1.2. The EESC recognises Stakeholder Platforms to be effective change forums if they:

— allow exchange of best practice between different institutions, businesses and associations facing similar challenges;

— encourage stakeholders to take responsibility and tackle challenges;

— consider the root causes of challenges;

— follow SMART objectives (Specific, Measurable, Achievable, Realistic, Time-bound);

— generate evidence-based activities for dissemination;

— develop tools and resources for others to adopt;

— replicate European-level Platforms at national and even regional levels to address similar challenges across Member States;

— receive information about initiatives from other sectors facing similar issues.

1.3. The EESC proposes an EU ‘Platform for change’ (‘Platform’), to address gender equality in transport, initially prioritising increasing women’s employability in the sector. This initial objective could later be supplemented by including ‘women as users’. Transport includes air, sea, road, rail, inland navigation and logistics. Membership could include, but not exclusively, EU- and national-level representative bodies of policymakers, the transport industries, their trade unions, media, passenger organisations and NGOs willing to commit to concrete actions to address gender inequality in transport.

1.4. The EESC would promote the objectives of implementing gender-sensitive policies through the establishment of clear objectives: terms of reference and defined scope, including indicators, which are developed by the members during the Platform formation. This would provide a model of partnership working and coordinated action by sector stakeholders to transpose new initiatives across Europe.

1.5. The EESC recommends that the Platform retains the ability to be flexible and adaptable between all the dimensions of the sector and at policy level. It should insist on transparency and accountability of its members and functioning. Monitoring, evaluation and annual reviews are essential tools for the Platform’s credibility and success.

1.6. The Platform can only be successful if the members take full ownership and hence the EESC proposes a web presence which lists members, their activities and hosts a database of the actions, recommendations, monitoring and evaluations, for others to replicate or source information.

2. Background

2.1. Employment of women in the transport sector is particularly low. In 2013, 78% of transport workers in the EU were men. Attracting more women is essential to bring more gender balance to the sector, making it more user friendly whilst compensating for workforce shortages and challenges (a third of all transport workers are over 50 years old).

2.2. On 1 July 2015, the EESC adopted an exploratory opinion on ‘Women and transport’ and participated in a follow-up event organised by Commissioners Bulc and Jourova in April 2016. Subsequently, DG MOVE conducted various expert group consultations where current challenges and recommendations were discussed. An idea was put forward by the EESC representative to implement a ‘Platform for change’ which was endorsed by the European Commission as a good means of fostering concrete and visible actions in favour of gender equality in transport. In his letter of 13 October 2016, the European Commission Vice-President Frans Timmermans stated ‘such a platform could be launched during the second half of 2017 at a joint EESC/Commission event’.

3. Platform for change

3.1. The EU Commission has many stakeholder consultation tools and activities. A ‘Platform for change’ could be centred around voluntary, concrete measurable actions which drive the goals of its establishment. Such a benchmark platform is the DG SANTE ‘Diet, Physical Activity and Health’ platform.
3.2. Hence, the EESC would propose to DG MOVE an EU-level stakeholder platform able to implement action-based commitments in favour of **increased employment opportunities for women and gender equality in the transport sector**, to better include women and generate more economic, social and sustainable growth, where:

— its Members adhere to a defined criteria for appointment and conduct;

— its actions are defined in accordance with objectives and scope established by Platform members at the onset;

— its commitments are monitored, evaluated and made public, thus spreading information exchange.

3.3. In establishing such a Platform the EESC suggests DG MOVE initially considers the following steps and elements (which are set out in detail thereafter):

I. Phase I — Preparatory — Identify relevant interested stakeholders to engage on the Platform and commence dialogue to identify interest, key objectives, terms of reference and scope.

II. Phase II — Development — Define with stakeholders drafts for approval: Charter for Engagement, Terms of Reference, Scope and Objectives. Additionally identify timelines, potential funds, secretariat and IT support tools.

III. Phase III — Implementation — Organise an inaugural event with participation of Commissioner in charge of the Platform where members agree definitions, terms and scope and make concrete recommendations for actions. Discuss SMART objectives, indicators, gender-sensitive communication, monitoring, evaluation, publication and dissemination.

IV. Phase IV — Sustainability — Define indicators, targets, ongoing resources, annual review and feedback mechanisms. Identify ways to have continuation of commitments and engagement of additional partners.

4. Role of EU institutions

4.1. Alongside President Juncker’s drive for growth and jobs, the Maltese Presidency has gender equality as one of its priorities. The Platform could provide an ‘EU added value’ mechanism to traditional policymaking which specifically focusses on a single EU challenge ‘**Opportunities through Gender Equality in the European Transport Sector**’. This targeted focus engages relevant stakeholders who may otherwise not connect with the EU Commission. The Platform could thus complement the work of EU institutions.

4.2. It is of great importance that DG MOVE leads from the top and the Commissioner in charge of the Platform supports its functioning, for example by personal presence at its inauguration and Platform meetings in general. Platform members, whilst conducting the commitments voluntarily, will thus recognise it is a privilege to be asked to fulfil such a role. Therefore, the availability and interaction with the senior team of DG MOVE is crucial. Likewise, it is important that if EU institutions seek to be members of the Platform, they too must commit to proposing targeted actions.

4.3. EU Institutions and representatives of Transport Ministries (Member States) play a crucial role in disseminating key findings at Member State level. Hence, the EESC would recommend the establishment of a High-Level Group (HLG) providing an overview for governments and their policymakers, creating a mechanism for best practice dissemination, strengthening partnership working and improving a liaison between policymakers and the Platform. Where such stakeholders choose to sit as Platform members too, they should also commit to carrying out concrete actions.
4.4. The EESC would see DG MOVE as being responsible for operating the Platform. DG MOVE would allocate budgets, secretariat and some resources. Other EU institutions could provide stakeholder recommendations from their networks and they might also provide meeting rooms, translation and interpreting services. Possible alternative funding options could be through Platform members’ resources.

4.5. A significant cost will be the central communication tool, the web page and database including maintenance. Various EU bodies have developed such web resources and it is felt that DG MOVE may be able to adapt an existing template.

5. Membership

5.1. The Platform should not be a ‘talking shop’; it is a process designed for stakeholders to meet and discuss challenges and opportunities for women in the transport sector, and then commit to audit-able actions. Understanding the stakeholder type to which members belong will help identify their potential level of interest and influence. Those with the greatest interest will be those who are directly faced by current industry challenges.

5.2. Membership of the Platform could include the following European and national level stakeholders: industry, SME associations, trade unions (social partners) — including specialised women's representative organisations, public administrations including those with influence on purchasing and tenders, i.e.: ERDB; NGOs including umbrella organisations defending women’s rights and equality, media, think tanks, academia and research institutes.

5.3. Consideration could additionally be made for the occasional inclusion of (1) persons involved in the design of commitments who may not be a designated Platform member; (2) decision-makers and influencers, including EU institutions and Member State representatives/public authorities.

5.4. Membership of the Platform should be free of charge with criteria and Terms of Reference for Membership. No reimbursements for activities conducted by members nor costs incurred for being a Platform member would be envisaged initially.

5.5. Membership should be governed based on:

— inclusive participation;

— transparency, openness and accountability;

— accepting differences and respecting proportionality;

— using SMART objectives to deliver coherence.

6. Outline objective and scope of the Platform

6.1. The overall objective of this Platform could be to increase the participation of women and improve gender equality in the transport sector by improving the opportunities for women, for women-owned companies and for female managers, and by improving working conditions for all within the sector and their ultimate impact on jobs, inclusiveness, innovation, sustainability and growth. The focus should be on gender equality, thus promoting employment and addressing gaps in the sector. This objective can be achieved, inter alia, by improving the quality of jobs and working conditions for all; addressing harassment and gender based violence, improving reconciliation between work, private and family life, increasing the number of women in decision-making positions and improving the image of the sector to attract more female workers, entrepreneurs, academia and innovators. The scope of the Platform could be later expanded to cover related issues such as improving the user experience and focusing on actions which address women as users.

6.2. The EESC would recommend the implementation of gender-sensitive policies and gender-sensitive budgeting as a key tool to address the objectives above. This new concept is often misunderstood: it does not mean an increase in overall spending but rather sets new priorities and reorients expenditures within programmes, departments and services. Gender budgeting adds clarity and creates mechanisms that allow for a global and transversal approach to promote more gender equality.
6.3. The EESC recommends that the scope and priorities to be addressed should be in line with EU policies and legislation whilst respecting social partner dialogue. The Platform should combine top-down and bottom-up approaches to support private sector and public policies, avoiding a need for legislation change. The Platform should be seen by all as a positive and necessary investment.

6.4. The EESC highlights that the benefits of stakeholder participation are to:

— provide stakeholders with opportunities to share views, needs and knowledge;

— find common objectives to reach common goals;

— enable participants to influence outcomes by including them in the processes of shaping, developing, identifying and implementing actions;

— enhance understanding between stakeholder groups, thus reducing potential conflicts or divergence of views, and promoting effective cooperation;

— build stakeholders’ commitment and a feeling of responsibility and ownership;

— ensure sustainability of plans and associated decisions;

— bring autonomy and flexibility in decision-making and implementation.

6.5. The EESC considers that the Platform could identify key actions to:

— collect data and establish key indicators to identify and deconstruct barriers and stereotypes;

— ensure women are visible and active in policy, decision-making, and planning — over and above administrative duties;

— proactively engage both sexes in creating a better working environment: facilities, equal pay for equal work, training, reconciliation between work, private and family life, etc.;

— take action to attract women to employment opportunities with measures to improve both quality and quantity of jobs particularly by reviewing recruitment processes;

— review legal barriers which may prevent women accessing all types of jobs;

— better engage universities and career services to promote the wide scope of the sector, including technology, R & D and engineering, consider also those with the least skills to improve their training options;

— proactively promote the role of women in business;

— empower women and the sector to be more inclusive;

— promote emphasis on education and vocational training of women throughout life;

— prevent violence, harassment and discrimination in the workplace.

6.6. As the Platform expands it may seek to focus on key areas which may not involve all members. The diversity of the transport sector may lead to this. Hence, subcommittees could be established to focus on key areas of interest.

7. Guidelines for setting priorities and ensuring actions fit priorities identified

7.1. The EESC recognises that establishing the priorities of the Platform can only be completed by the Platform members themselves. Stakeholders may arrive with their own vested interests so making them engage collectively with a view to addressing common challenges should remain uppermost in everyone’s mind. Committing to actions to support and drive change are responsibilities which will encourage stakeholders to take ownership for their organisations and the Platform.
7.2. The EESC suggests that the commitments should be ambitious and challenge the status quo and require an investment of the members’ own resources. Clear communication and transparency of the actions on the web page will bring not only recognition of commitments but also scrutiny by interested parties. Thus good communication and dialogue amongst the Platform members is paramount to ensure continual engagement and avoid a mismatch of expectations. Joint activities should also be encouraged.

7.3. The EESC recommends that targets and indicators could be additionally set to endorse the Platform actions. These targets and indicators should help implement and evaluate steps towards the employability opportunities, equality and empowerment of women including how men and women are put on an equal footing, regardless of the technologies used. Development indicators as assessment tools, which strengthen the impact and integration of results in a progress report, help influence political and strategic planning by mapping progress.

7.4. General statistical data is available from Eurostat. DG MOVE could work with Eurostat and Platform members to improve the collection of gender-disaggregated data to give a more complete picture.

7.5. Data, targets and indicators should contribute to the thinking on equality between genders and on stereotypes and discrimination. Without any normative character, the aim is to encourage organisations to translate the issues of gender into transparent and comprehensible communication for their organisations and the public, allowing internal analysis of their own policies and practices.

7.6. Baseline indicators could be developed in the following areas:

— targeted objectives can be set by the platform to realise achievable goals;

— percentage of women per job specification including on boards, owners, managers, members within trade unions, administration, technical, etc.;

— periodic review and reporting on the measures taken to ensure the gender balance at decision-making levels;

— effective policies aimed at equal pay and progressively reducing the wage and pension gap between men and women;

— policies/measures adopted in order to remove all obstacles to equal opportunity and promote the work of women (childcare provision, reconciliation between work, private and family life, transparent framework, etc.);

— budget specifically allocated in support of equal opportunities;

— periodic review of recruitment — conditions, including those of recruitment agencies or education institutions — transparency, accessibility, gender sensitive communication;

— develop indicators on the scope, prevalence and incidence of violence, harassment and discrimination in the workplace;

— annual overview of targets put in gender-sensitive budget.

8. Monitoring and evaluation

8.1. The EESC proposes that to enhance partnership, working members could create commitments and actions which they discuss with other Platform members before implementation. At the end of the action, a Monitoring Report would be produced listing the activities, timelines, data gained and key findings so that they can be analysed and evaluated by the Platform. These reviews should be presented in an objective and unbiased way, with evidence and qualitative assessments, reflecting the relevance to the Platform’s objectives. External consultants could be used for this purpose, if resources allow, as with the evaluation of the DG SANTE platform (see Annual Monitoring Report 2016).
8.2. The EESC suggests that the commitments are well-designed at the outset and are relevant to the established objectives. Members should consider SMART commitments, which have in-depth preparation: timelines, targets and goals, for effective reporting, easy monitoring and communication on completion.

8.3. The commitments would require work and dedication from the members, over and above their normal duties. This investment should be added value to their internal work, beyond corporate social responsibility, and presentable to the external world as their intent to support improved gender balance in the workplace. Their actions should be available for others to replicate.

8.4. Reviewing the activities of the Platform should create increased networking and a momentum to work together to drive the objectives. Thus this helps to increase the number of joint commitments by:

— increased collaboration between policymakers, HLG and Platform members and their associations, fostering synergies for long-term relationships and actions, potentially developing and contributing to new policies if required;
— increased activities can be developed less formally outside the platform structure, including engaging with those who may not fit the criteria for membership;
— improve the visibility of the sector and its efforts to bring greater equality into it, with improved conditions for all;
— creation of external events to showcase actions and attract new employees, innovations or contributions to transport;
— learn from continual improvement as a collective and implement new ways of working and promoting the sector.


The President
of the European Economic and Social Committee
Georges DASSIS
Opinion of the European Economic and Social Committee on the 'Digitalisation and innovative business models in the European financial sector, impact on employment and customers' (own-initiative opinion) (2017/C 246/02)

Rapporteur: Carlos TRIAS PINO

Co-rapporteur: Pierre GENDRE

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1. Conclusions and recommendations

1.1. In the last few decades, the banking and insurance sector are continuing to be reinvented by technology, regulation, and changing customer needs and expectations. New models of investments, savings, insurance, and fund transfers are allowing the widest range of people to participate in projects of different sizes.

1.2. FinTechs and InsurTechs are catalysts and often the partners of financial services institutions in modernising their services, amalgamating strengths and weaknesses and generating synergies between each other. In the EESC’s view, there is considerable potential to create value by nurturing an innovative coopetition (1) ecosystem.

1.3. There is definitely a need to restore trust and stability in the financial sector, with the management of the transition from the old (traditional banking system) to the new system being crucial. In this respect, the EESC calls for the appropriate legislation to be put in place in the EU context of an integrative process of the Banking Union and the Digital Single Market, allowing for growth and innovation while also ensuring protection for consumers and employees in the finance industry.

1.4. To achieve a truly Single European Financial Market, European Commission policy should support a level playing field in terms of innovation. As a general principle, broadly analogous conditions are needed in terms of regulation as well as consumer rights, working conditions and supervisory obligations, both for the traditional finance industry and FinTech companies, in line with the rule of the same activity requiring the same regulation and the same supervision. More specifically:

1.4.1. A risk-based approach to regulation should be consistent throughout the innovation lifecycle, providing a proportional and simplified regulatory framework for both incumbents and new players to experiment with new technologies and business models in interaction with the regulators. The creation of an EU framework for experimentation,

(1) Not only competition, but collaboration and partnership.
working with industry and wider stakeholders — including consumer and employee representatives — would provide the tools for gearing up to support innovation across its activities (‘Sandbox’ for FinTech Innovation) (2).

1.4.2. To match the conditions with those of third parties, it is necessary to look at the treatment of software as an intangible asset, to avoid subtracting from core equity capital the high investments that the entities based in the EU already make in IT (following the example of the US and Swiss banking systems, or the insurance sector (3)).

1.4.3. The European Commission, the European Banking Authority and Member States have to strongly commit to a harmonised and effective implementation of the revised Directive on Payment Services (PSD2) which introduces very strict security requirements for the initiation and processing of electronic payments and the protection of consumers’ financial data, paying special attention to technological social media and commercial giants.

1.4.4. Consumer challenges and risks linked to the digitalisation of financial services should be carefully examined by the Retail Financial Services Action Plan (4) and the Fintech Taskforce, guaranteeing close coordination between DG JUST and DG FISMA, in particular with respect to consumer protection issues, e.g., determining what kind of data should be used to assess creditworthiness, how to ensure the understanding of pre-contractual information and effective identity checks through a screening process.

1.4.5. The measures included in the proposed amendment to the Anti Money Laundering Directive (AMLD) should be immediately transposed (5), particularly those tackling terrorist financing risks linked to virtual currencies and risks linked to anonymous prepaid instruments.

1.4.6. Enhancing crowdfunding and other collaborative economy solutions by exploring the potential of establishing a ‘quality label’ to build users’ trust in order to better develop virtual communities and facilitate interaction among cooperative customers.

1.4.7. Support for the introduction of open-source software solutions in the financial sector in order to increase sound market competition, reduce costs and prevent vendor lock-in in the sector.

1.4.8. PtP lending regulations need to be addressed at the same time to encourage smaller balance sheets.

1.4.9. Hybrid lending (driven by Basel 3 capital requirements) needs to be supported by the European Commission.

1.5. The EESC emphasises that digitalisation must never replace good personalised advice from a qualified human advisor (proximity in banking with the help of a network of adapted agencies should not disappear!).

1.6. Understanding FinTech requires new skills from all: regulators, supervisors, financial ecosystem stakeholders and the population as a whole. In order to take advantage of one of the main potential benefits of FinTech as a driver of financial inclusion, EU Member States have to strengthen financial education and digital literacy, anticipating the new scenarios. This needs to start in schools, and should embed information about financial products in the context of how they are presented online and their relationship with the development of the Internet of Things.

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(2) The Commission is considering a single EU-wide licence allowing tech companies in the financial services sector to operate across Europe and the creation of a pan-European ‘sandbox’, or special regulatory framework, for the whole Union.

(3) See Solvency II requirements;

(4) Launched on the 23rd of March, COM (2017) 139 final, Consumer financial services action plan and a Public Consultation on Fintech.

(5) OJ C 34, 2/2/2017, p. 121
1.7. Digitalisation in the financial sector threatens many jobs, and this is forcing employees to update their competences and skills. The EESC advocates ensuring that skills training and further education take place on two levels. Internally, by allowing employees to take on new tasks and create a cross-over between current financial employees from ‘traditional institutions’ and FinTech/InsurTech companies, and externally by preparing employees who cannot remain in the sector for jobs in other sectors.

1.8. The EESC calls on the European Social Fund to provide specific training programmes within the new flagship initiative ‘Digital Skills and Jobs Coalition’ (6), to support the up-skilling and retraining of the financial sector’s workforce to prepare them for new digital technologies.

1.9. The EESC calls on companies to replicate codes of conduct and the best practices on internal rules limiting the requirements for employees to be online at all times of the day and to issue guidelines discouraging employees from working at weekends and during vacation time. If voluntary approaches do not work, the EESC calls for binding rules in this respect.

1.10. Timely information and consultation, in line with the relevant EU Directives on informing and consulting employees, are key to meeting all of these challenges. The European Commission and Member States have to ensure compliance with the provisions of applicable law and, in particular, the rights of the employees’ representatives to be involved in intra-company changes.

1.11. The EESC calls for the proposal for a Directive on preventive restructuring and second chances to be strengthened and completed, as this will help to gain access to restructuring procedures before any business insolvency is declared.

2. A concentrated and diversified sector undergoing rapid transformation

2.1. The banking and insurance sector in Europe is diverse, marked by the presence of large European and even global institutions, as well as local and regional structures with varying degrees of independence, and certain features specific to individual countries. Despite a process of concentration in most Member States, it is still fragmented at European level. The old dividing lines between banking groups and large insurance companies have virtually disappeared as a result of the establishment of de facto financial conglomerates.

2.2. In the new landscape of volatile markets and low interest rates, strong regulatory pressure, supervision and oversight — imposed on the banking system in the wake of the financial crisis — combined with digital transformation and increasing competition (new FinTech companies), as well as new trends in consumption, the banking sector’s results are continuing to be eroded. With the arrival of new non-bank models in the digital economy it is necessary to analyse the interplay of four elements: the traditional banks, the new digital players, the regulatory authorities and consumers.

2.3. As internet use continues to increase, banks are developing online subsidiaries and virtual agencies through which customers can carry out simple transactions and contact an advisor. Company strategies aimed at the radical reduction of HR investment as well as the deterioration in customer reception conditions has led to fewer people visiting bank branches and many branches closing across Europe.

2.4. In the insurance sector, several modes of distribution coexist: salaried producers, brokers, general agents, bancassurance as well as self-employed agents acting for a single company. Insurance is now being sold online and via smartphones. The predominance of each of these multi-channel distribution networks varies across the EU Member States and from product to product. Life insurance, for example, is mainly distributed through bank networks (known as bancassurance).

2.5. Payment methods are continually evolving, and this is set to intensify. The use of cheques and cash has decreased substantially since the early 1990s. At the same time, there has been an increasing shift towards payment by card, direct debit and bank transfer, which ensure greater traceability, control, and security, and undermine the informal economy. Electronic payments have the capacity for extending the scope even further, i.e. for money transfers between individuals and social benefits payments. New e-money players are joining forces with e-commerce, while new technologies such as contactless payments are evolving and increasing along with bank cards. In addition, particular attention needs to be given to following the development of cryptocurrency markets (bitcoin and others).

3. **Technological advances in the European financial sector and new players**

3.1. Innovation in the financial sector is taking place on the internet, with online banking, big data, artificial intelligence, the blockchain, cybersecurity, etc. Data is exchanged at high speed, enabling risk assessments and financial decision-making to be carried out on the basis of algorithms and big data.

3.2. This technological disruption and the difficulties faced by traditional banks as regards equity problems and a temporary liquidity dry-up, as well as the development of alternative sales channels which are not covered by regulatory obligations for the banking industry, have paved the way for FinTech, InsurTech and the blockchain, and at the same time have opened up new opportunities and created new risks for consumers.

3.3. FinTech and InsurTech companies, which continue to increase in number, combine the concepts of finance, insurance and technology. These companies are using technology to sell financial products in innovative ways. They are growing, particularly in the areas of savings management, personal loans, corporate financing and online payments. They are playing an increasing role in participatory financing (crowdfunding and P2P), through dedicated platforms and the use of mobile applications, virtual currencies and electronic payment via the internet or smartphones. They are exerting considerable pressure on banks and insurance companies by competing in their traditional territory. The largest internet companies, particularly the ‘GAF A’ (Google, Apple, Facebook, Amazon) are also developing projects related to the financial sector because of their control over big data.

3.4. Distributed ledger technology (DLT)-based applications could prove to have the capacity to deliver a new kind of trust to a wide range of services. The blockchain operates without any central control body, in a transparent and secure way. Both companies and individuals can use this system to carry out certain transactions and bypass the financial sector, particularly by using cryptocurrencies.

Likewise, PayPal offers the possibility of paying for goods in foreign currency without having to provide bank details.

3.5. FinTech is enabling companies and individuals to access crowdfunding for specific projects, by using dedicated platforms to raise funds in the form of donations or loans or even equity investment. These platforms enable peer-to-peer lending, including consumer loans and personal loans, without having to go through the banks, and enables private individuals to directly finance VSEs and SMEs. The platforms are able to supplement or promote venture capital, particularly for innovative businesses, and through their mobile applications, to give customers, in real time, the financial information they need to manage their expenditure or investment choices.

3.6. These new players are competing with the traditional business models of banking and insurance, but both banks and the insurance companies are beginning to coexist with them. Some have already embarked on a process of cooperation with FinTech and InsurTech, and others have their own subsidiary structures. Moreover, investment in FinTech has rapidly increased in recent years, and this interest has spread to InsurTech.

4. **Are customers the winners here?**

4.1. For large companies, this adjustment to the digitalisation of financial services involves changes they are able to build in to their day-to-day management. But the situation is different for many traditional SMEs and especially for very small companies, which do not have the in-house knowledge and resources enabling them to fit easily into a rapidly changing financial world.
4.2. In the era of the internet and the smartphone, customer profiles are no longer the same, but their appetite for digital banking and insurance depends on several factors such as age, level of education and occupation. Yet when it comes to financial advice, there is still a need for human contact based on customer experience, including among young people.

4.3. Virtual branches, online subsidiaries of banking and insurance groups, are offering customers access to credit, loans and insurance on the internet and on smartphones, using new applications. These deals come with more favourable terms: a free bank card, subsidised interest rates, an account opening bonus, and a discount of several months’ contributions for insurance and mutuals. These customer benefits form part of the transition period between the traditional business model of banks, insurance companies and mutual societies, and the model that is emerging from digitalisation.

4.4. This new scenario presents both risks and opportunities for the consumer:

— easier access to products, more/better choice, possibilities for price comparison via websites, more personalised, tailored offers, reduction of transaction costs (time and money) and enhancing safety by means of new biometric authentication systems,

— new useful products (e.g. crowdfunding) but also the emergence of new products that are complex, opaque, not easy to understand and risky: e.g. instant loans,

— possible challenges in providing pre-contractual information/disclosure via new sales channels: e.g. smartphones due to their small screens,

— insufficient information on the risks associated with financial products,

— lack of sufficient supervision/enforcement of activities of the new players in the financial services sector,

— legal uncertainty in some cases regarding which legislation applies to new players,

— unregulated areas (e.g. automated advice),

— possible unwarranted discrimination/exclusion linked to the use of big data and lack of digital skills,

— cybersecurity.

4.5. Digitisation should make the dissemination of financial products more transparent, but the apparent simplification of the products on offer may mask a lack of balance in the overall financial relationship. The use of algorithms does not guarantee the absence of hidden deficiencies nor the compliance of the products with European standards. Financial education should therefore embed information about financial products in the context of how they are presented online.

5. Other sources of financing and the place of ethical and responsible finance

5.1. The current high dependence of business on bank financing (more than 75 % in Europe, compared to 20 % in the USA) and lack of equity culture in Europe makes SMEs (more than 98 % of all enterprises in Europe, which employ 2 out of 3 employees and create 58 % of all value added) potentially vulnerable to the risk of a credit crunch such as those which occurred during the years of the global financial crisis. Accordingly, methods of complementary non-bank financing, and the risks they entail, particularly in the event of a crisis, should be explored.

5.2. When financing SMEs, there are a number of alternative sources that help to improve business development and reduce risks, in addition to aid from European funds to boost job creation and business competitiveness by reducing the usual financing costs, as envisaged in the Juncker Plan.

5.3. There must be a strengthening of the socially responsible, transparent and sustainable banking model and of a financial system rooted in the real economy, providing stability as well as social and territorial cohesion. Sustainable banks embrace an intentional approach to triple-bottom-line business (that includes financial, social and environmental performance measures in order to finance projects without negative externalities) by focusing on the establishment of strong relationships with their clients and the extended stakeholder community.
5.4. Banks and insurance cooperatives and mutual societies have long focused on creating value for all stakeholders — the 'stakeholder value' model — in developing their business. However, they have also adopted the practices of conventional commercial institutions and have not escaped the difficulties arising from the financial crisis. For the time being, digitalisation does not appear to be a key driver in returning to more ethical business practices, responsive to the real needs of society.

6. Impact on employment and working conditions

6.1. According to Bloomberg, banks have cut around 600,000 jobs across the world since the 2008 economic crisis. These massive staff cuts are mainly due to the crisis, but have also resulted from the digitisation process.

6.2. In Europe, banks and insurance companies are estimated to account for nearly four million jobs, of which three million are in banking and nearly one million in insurance. Citigroup projects that the banking sector will cut some 1.8 million jobs in Europe and the US over the next ten years. Europe, whose banks employ almost 2.9 million employees on a full time equivalent basis, would retain only 1.82 million in 2025. This trend is illustrated by the many job cuts recently announced by several major European banking groups. A tendency towards part-time and other forms of employment can be observed in the finance industry in a number of countries.

6.3. There is a need for Active Labour Market Policy measures in order to tackle the ongoing and future changes for the employees concerned. Social partners at all levels play a crucial role in finding appropriate solutions. An example of best practice in this regard is the general retraining fund for all affected bank employees in Austria, established through collective bargaining at sectoral level and funded by both the industry and the public.

6.4. The continuous eroding of the bank branch network has been accompanied by an overhaul of the branch concept in line with the nature of the customers concerned. Prior to the branch closures, staff numbers had dwindled as a result of the automation of transactions. In insurance, the network of general agents and brokers is robust, despite a marked trend towards downsizing. Salaried producers will decline.

6.5. On the trading floor, purchases/sales of company shares, currency and credit default swaps (financial derivatives in which the vendor compensates the buyer in the event of default by a third party) are increasingly being carried out by computers.

6.6. Derived from big data, a new cognitive platform, tested by a major banking group, is able to answer questions posed in natural language in a huge range of areas, and to propose pre-packaged answers to customer advisors. This technology can be used as a virtual assistant in both banking and insurance. The sales force could be among the first affected.

6.7. Working conditions have become unstable and training requirements have increased significantly, both to equip workers with the necessary digital skills and to enable them to change jobs should the need for occupational mobility arise.

6.8. As the digital advances will require a huge change in the tools, skills and competences that employees require, companies must be prepared to invest in the continuous development of skills and qualifications. Collective bargaining and social dialogue has to focus on the importance of adjusting vocational training to future needs and to make this training possible, as well as providing details of the way new technology is already being used in the sector. Which skills are needed for the current finance employees to stay relevant in the future and how these skills can be taught should be explored case by case.

6.9. There are increasing concerns about working hours in connection with the launch of on-line working and the many jobs which are already being cut. It is already apparent that more financial activities will be relocated within the EU and outside Europe to countries with low labour costs and low levels of social protection.

6.10. It is important that digital solutions always serve people and help to improve social standards and working conditions. Sectoral social dialogue needs to be stepped up at all levels, including at the European level, to pinpoint the best
solutions and thus prevent social upheaval. At a sectoral level and in each company, employers must endeavour to enter into negotiations with trade union representatives to ensure that effective measures are taken in terms of income, working conditions, social protection, training and support for internal geographical and occupational mobility, and outplacement. These measures have to take place as soon as possible in advance of restructuring processes, not just when jobs start to be lost.

6.11. Controlled digitalisation of the financial sector should maintain quality jobs and improve customer relations, while retaining sufficient access to personalised financial advice. It should ensure effective security of transactions and efficient personal data protection both for customers and employees. Employees and the consumers of financial services should be involved, through their representative organisations, so that their practical knowledge in the field can be taken into account.

7. Regulation and supervision

7.1. The growing complexity of financial products and the speed of data-handling — together with anonymous, automated marketing, advice and counselling services — create high-risk situations that often cannot be judged or controlled by the owner of the funds placed or invested. The EESC observes with concern the inadequacy of risk-models and their ability to properly assess the risk-profiles of different categories of unsecured investments.

7.2. According to the governor of the Bank of France, the emergence of digital finance must go hand-in-hand with regulation that must adapt so as not to stifle innovation and continue to ensure a high level of transaction security and consumer protection. The EESC believes that equally high standards have to cover both the traditional finance industry and new FinTech companies/business models.

7.3. MiFID II is one of the key regulatory initiatives that will change the market structure and business models. Firms should manage the regulatory requirements as a strategic opportunity.

7.4. New regulations on digital payments (PSD2) seek to increase security levels of online transactions with the aim of reducing the level of fraud currently present in the channel.

7.5. A new EU anti-money laundering directive will bring into force new customer due diligence checking requirements, together with new obligations to report suspicious transactions and maintain records of payments.

7.6. The updated Consumer Protection Cooperation framework (CPC Regulation) will give more powers to national authorities for enforcing consumer protection laws and will improve the necessary coordination among Member States.

7.7. With the application of the Solvency II legislation for insurance companies and the Basel 3/CRD IV arrangements for banks, the question arises as to how a supplementary regulatory approach can take into account the risks borne by new entrants to the financial system and their impact on this sector as a whole.

7.8. Following the stress tests carried out by the European Banking Authority in 2016, the Commission has presented proposals that reflect the debate currently being led by the Basel Committee on strengthening capital requirements. The universal standards adopted should be proportionate to the size and nature of the credit institutions and financial start-ups. The EESC welcomes the latest Commission package of proposals (1).

7.9. The financial crisis has meant big business for direct investment funds — shadow banking — in recent years. The impact of digitalisation on these funds should not generate a regulatory deficiency detrimental to the stability of the financial system.

(1) EESC opinion (ECO/424) on Amendment to the Capital Requirements Regulation (CRR) to incorporate modifications to the BASEL framework (Not yet published in the Official Journal).
7.10. Given the deficiency of traditional risk assessment models that are incapable of properly evaluating non-collateral-based models of financing, European Supervisory Authorities should intensify contacts with FinTech start-ups, on the understanding that FinTech requires new skills from supervisors.


The President
of the European Economic and Social Committee
Georges DASSIS
Glossary of terms

**Artificial intelligence.** Machine with learning capability. ‘Roboadvisor’ is a machine capable of providing financial advice, functioning in the same way as the human brain.

**Bancassurance.** Selling insurance products via the office networks of banks. This kind of strategic partnership brings networks together and creates business synergies.

**Big data.** Storage and processing of many pieces of data which are transmitted at high speed. ‘Analytics’ refers to the conversion of data into information by means of mathematical and statistical methods for decision-making in the financial sector.

**Bigtech.** Technology giants such as Google, Apple, Facebook and Amazon (GAFA) which are starting to extend their considerable reach into the banking business.

**Bitcoin.** Virtual currency in an experimental phase which is increasingly accepted in the market.

**Blockchain.** A technology platform which supports the bitcoin. It has a very efficient database, which can be used in finances or in multiple applications.

**Cloud.** Models for provision of services based on the internet.

**Connectivity.** As a result of technological advances we can now be connected anytime, anywhere. This allows employees to work more flexibly, as they can work from home or from another location (teleworking, smart working) as well as part time. Young people are already used to this way of working, and the value of having a range of options can be put to good use.

**Crowdfunding.** Financing is provided via internet platforms which connect entrepreneurs with investors. There are platforms which oblige entrepreneurs to offer a share of their business in exchange for investment (equity crowdfunding).

**Crowdlending.** Financing via the internet for entrepreneurs who receive a loan from a group of people, which has to be repaid on the basis of a set interest rate.

**Customer experience.** Developing an in-depth knowledge of each customer individually, personalising their experience in all areas of interaction with the bank. Social networks and web platforms are essential elements.

**Cybersecurity.** Covers the risks of cyber-attacks and data theft, and also increases and guarantees customer confidence.

**Digitalisation.** This concerns technology as a whole (internet, mobile technologies, big data, blockchains, artificial intelligence, cloud computing, robotics, cybersecurity) when applied to new relationship models with customers and to managing the transactions of banks and insurance companies. Technology is a means of achieving digitalisation rather than an end in itself.

**Disruption.** Digital transformation is not possible without a new organisational and cultural model. Innovation is key to competitiveness in this comprehensive banking process. Change begins with people.

**Exponential banking.** Uses exponential technologies (which have emerged as a result of the digital revolution) to increase the range and quality of financial services as well as to bring down costs.

**Fin Tech/Insur Tech.** Innovative start-ups, which offer novel banking or insurance solutions at low cost.

**Hybrid lending.** It’s a combination of lending by bank and private banking customers. This allows the banks to retain more business without significantly increasing their balance sheet while simultaneously satisfying its clients and fellow investors.

**Knowmad.** New professionals who feel that what they bring to the table is their knowledge, and who therefore prioritise the freedom to manage their work and time.

**Millennials.** The first generation of digital natives, those born between 1980 and 2000, who will make up 75% of the workforce in 2025. Typically, they do not visit bank branches.
Multi-channelling. Efficient combination of the usability of digital and face-to-face banking channels. The customer is the focus of the business.

Neobanks. They do not require a financial licence to operate: what they do is develop software on the basis of the infrastructure of an existing bank.

Payment methods. An e-commerce trend, POS-terminal payment is the most extensive mobile form of payment worldwide. This ecosystem also includes the PayPal option and the technological operators Samsung Pay, Apple Pay, etc. Person-to-person (P2P) payment services are a genuine alternative for those living in countries where the banking system is less developed. Nowadays, mobile banking ‘apps’ are a fact of life.

Regtech. Innovative technologies that are used to facilitate regulatory compliance, reducing the costs and resources needed for such tasks. Digital regulation and surveillance are a challenge for the financial sector (a level playing field must be ensured).

STEM. The study of science, technology, engineering and mathematics. The professions that are currently on the rise are those related to these subject areas, and digital skills are vital in all sectors. Training is therefore a priority.
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

525TH EESC PLENARY SESSION OF 26 AND 27 APRIL 2017


[COM(2017) 68 final — 2017/0024 (NLE)]
(2017/C 246/03)

Rapporteur-general: Mihai MANOLIU

Consultation: Council, 21.3.2017
Legal basis: Articles 187 and 188 of the Treaty on the Functioning of the European Union
Section responsible: Single Market, Production and Consumption
Bureau decision: 28.3.2017
Adopted at plenary: 27.4.2017
Plenary session No: 525
Outcome of vote: (for/against/abstentions) 160/0/4

1. Conclusions and recommendations

1.1. The EESC considers that this proposal to amend the regulation seeks to improve the provisions of the Council regulation and to streamline them towards the objectives of the Bio-Based Industries Joint Undertaking (BBI JU). This proposal is consistent with the initial objectives and with existing policy provisions.

1.2. The EESC believes that the BBI JU seeks to develop synergies with other EU programmes such as cohesion policy, education, the environment, SMEs, competitiveness, and rural development policy, strengthening regional and national research and innovation capabilities in the current context of smart specialisation strategies and policies.

1.3. The European Commission has constant operational exchanges with the Bio-based Industries Consortium (BIC), and has had multiple rounds of consultations and discussions on the mode of delivery of the financial contribution by BIC members. This proposal has no additional impact other than the one expected to be achieved by the original Council regulation itself; as this is only a technical amendment, no impact assessment is required for this initiative.

1.4. The EESC welcomes the fact that the proposal reduces the administrative burden on BIC as far as its intermediary role between BIC members, who are obliged to make financial contributions, and project participants is concerned. BIC will remain ultimately responsible for reporting the aggregate number of financial contributions by its members.
1.5. The EESC endorses the essential clarifications established by the new regulation:

— delivering financial contributions will be possible in two modes: by transferring them from BIC to the BBJU (as before) and/or by transferring them directly from a BIC member to another project beneficiary;

— extending the parties that can deliver the financial contribution (constituent entities of BIC);

— maintaining the commitment to the overall financial target;

— allowing BIC members to report the financial contributions delivered by them at project level.

2. General comments

2.1. The EESC considers the concept of bio-based industries to be part of the broader bioeconomy, which is defined as the production and extraction of renewable biological resources and their conversion into products based on biological elements, such as food, feed and bioenergy. Three-quarters of the EU’s arable land is used for this purpose, and between 17 and 19 million Europeans are employed in this economic sector, which has a turnover of EUR 2 trillion. The knowledge-based bioeconomy was estimated to have an annual turnover of EUR 57 billion and employ about 305,000 people in 2009.

2.2. For Europe, the bioeconomy can generate growth and added value and create secure and decent jobs; it can substantially reduce our dependency on imports, and optimise the rational use of finite but renewable biological resources, while making a substantial contribution to global trade.

2.3. The bioeconomy is also considered to create competition between the uses of biological resources and technologies at various levels. This is further exacerbated by the limited availability of biological resources. On the one hand, the bioeconomy could make a significant contribution to reducing greenhouse gas emissions, which could improve public health. On the other hand, it could have an adverse effect, and trigger new greenhouse gas emissions, the impact of which on the environment cannot be overlooked.

2.4. The EU policy framework for the bioeconomy is spread across a number of policies: agriculture, fisheries, forestry, climate, the circular economy and research; these policy areas are covered by a number of legislative acts and sectoral policies (1).

2.5. However, since 2012, an overarching bioeconomy strategy has aimed to ensure policy coherence. Some inconsistencies remain nonetheless. The EU provides funding to innovative bioeconomy activities through the Horizon 2020 framework programme for research and a range of other instruments. The EESC considers that there is a need for sustainability and policy coherence in this area.

2.6. The importance of considering a public-private partnership for the bio-based industries as a joint technology initiative has been underlined in a number of Commission communications (2).

2.7. The legal basis of this proposal lies in Articles 187 and 188 of the TFEU. Only the EU is able to modify the legal framework of a Joint Undertaking, as Member States are unable to act alone. The purpose of this proposal is to adjust the provisions of the Council regulation so as to provide BIC members with the practical possibility to fulfil their obligation to deliver the financial contribution. The proposal complies with the proportionality principle. The amendment was also necessary because the Council regulation could not be interpreted to enable the delivery of the financial contribution at project level.

(1) CAP — the Common Agricultural Policy, EU Forest Strategy, CFP — the Common Fisheries Policy, the Europe 2020 strategy, EU action plan for the circular economy, 50 EU Research Area Networks and three Joint Programming Initiatives.

3. Specific comments

3.1. In 2012, the European Commission adopted a bioeconomy strategy building on the EU framework programme for research. The strategy aims to ensure policy coherence between the various relevant policies and their goals, both at EU and national levels. This approach was also considered necessary in order to increase public funding and private investment related to the bioeconomy. Participatory governance models were established. The strategy lays down an action plan containing 12 measures grouped in three themes:

— investment in research, innovation and skills;
— reinforced policy interaction and stakeholder engagement; and
— enhancement of markets and competitiveness in the bioeconomy.

3.2. The strategy’s measures were aimed at setting up a bioeconomy stakeholders panel and a bioeconomy observatory, promoting new markets by developing standards, including as regards sustainability, and providing the knowledge base for sustainable intensification of primary production. A review and update of this strategy is expected in 2017.


3.3.1. The BBI JU is a body entrusted with the implementation of a public-private partnership, whose members are the EU, represented by the Commission, and the Bio-based Industries Consortium (BIC). The BBI JU was established for the implementation of the Joint Technology Initiative on Bio-based Industries, until 31 December 2024.

3.3.2. Given the difficulties encountered by BIC in delivering its financial contribution in the mode envisaged by the Council regulation, it is proposed to introduce the possibility of delivering financial contributions at project level, in addition to the existing mode of delivery at programme level. This solution addresses the situation effectively and works towards achieving the initial objectives of the Council regulation by allowing BIC members to comply with their initial commitment. This solution is similar to the one used for IMI 2 JU (Innovative Medicines Initiative 2 Joint Undertaking), where members other than the Union can make financial contributions both at programme level, which is commonly done by trusts and charities, and at project level, which is the mode used by commercial entities. This amendment is not part of the REFIT programme.

3.4. The aim of the Bio-Based Industries Joint Undertaking is to implement a public-private partnership, which comprises, on the one hand, the EU, represented by the Commission, and on the other hand, the Bio-based Industries Consortium (BIC), established by Council Regulation (EU) No 560/2014. The purpose of this partnership is to implement the Joint Technology Initiative on Bio-based Industries in accordance with the statutes of the joint undertaking, by 31 December 2024.

3.5. Article 3 of the Council regulation sets out the specific contributions of each member of the Joint Undertaking to the administrative and operational costs, which are set out separately and to which is added an unspecified amount consisting of in-kind contributions for implementing indirect actions (IKOP), as well in-kind contributions for implementing additional activities (IKAA). It stems from reading the statutes that this contribution from BIC should be entered to the BBI JU’s budget at programme level. Constituent entities of the members other than the Union, which are the ones who participate in implementation of indirect funded actions, should provide financial contributions directly to the indirect actions at project level.

3.6. Many BIC members have encountered difficulties with the means of payment. Making a financial contribution at programme level is considered commercially unviable, because it does not offer any guaranteed benefit in exchange, particularly as regards the results of the projects and related intellectual property rights, and because making contributions at programme level could lead to one BIC member delivering that contribution to its own competitors. An alternative mode for delivering the financial contribution has been proposed, paying at project level — which means that the participants that contribute financially benefit from the results of the project — and this mode does not affect the interests of the EU. The desire here is to pursue the interests of the bio-based value chains, including SMEs, research and technology centres and universities.
3.7. Financial contributions by the members other than the Union comply with the following requirements:
— the financial contribution at programme level is unique to the BBI JU;
— BBI JU’s current model is adequate for enhancing cooperation with trusts and charities;
— the legal framework of the BBI JU should be adjusted to facilitate collaboration with commercial companies.

3.8. In line with this proposal, BIC members have the possibility to continue delivering financial contributions at programme level. In addition to this, they will have the possibility to transfer the financial contribution directly to another participant in the project, in accordance with the rules mutually agreed upon (the consortium agreement), the applicable legal framework (financial transfer from BIC members to BIC) and (financial transfers from BIC members to project beneficiaries) their national legislation and usual accounting practices. BIC will be responsible for reporting the aggregate number of financial contributions received.

3.9. The BBI JU model grant agreement will be amended accordingly. This proposal for amendment has no consequences for the protection of fundamental rights and no budgetary implications. A budget cut would affect academia and the relevant SMEs, as the contribution from the EU is mainly set aside for research and innovation activities.

3.10. The amendment is binding in all its elements and is directly applicable in each Member State. No explanatory document is required.


The President
of the European Economic and Social Committee
Georges DASSIS
Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on controls on cash entering or leaving the Union and repealing Regulation (EC) No 1889/2005’

[COM(2016) 825 final — 2016/0413 (COD)]

(2017/C 246/04)

Rapporteur: Javier DOZ ORRIT

Co-rapporteur: Mihai IVAŞCU

Consultation

European Parliament, 19.1.2017

Council of the European Union, 19.1.2017

Legal basis

Articles 114 and 304 of the Treaty on the Functioning of the European Union

Section responsible

Economic and Monetary Union and Economic and Social Cohesion

Adopted in section

6.4.2017

Adopted at plenary

27.4.2017

Plenary session No

525

Outcome of vote

154/4/4

(for/against/abstentions)

1. Conclusions and recommendations

1.1. The EESC believes that the fight against terrorism and its financing and efforts to combat money laundering and other related forms of economic crime should be permanent EU policy priorities.

1.2. The EESC expresses its support for the measures introduced in the Commission’s proposal repealing the previous regulation of 2005 to adjust it to the current situation and address the shortcomings identified in various studies on its implementation.

1.3. The EESC believes that the expansion of the scope of controls and the competency of the authorities in order to conduct checks and confiscate goods, whenever there is a reasonable indication of illicit activities, will facilitate the discovery of more fraudulent cases and gather more information.

1.4. The EESC considers it necessary to improve cooperation, both between the competent authorities and between Member States, in order to achieve the maximum effect in applying the new regulation. The EESC urges all Member States to make their anti-terrorist databases available to Europol. The Commission should also encourage cooperation measures that enable all Member States to acquire the necessary means to effectively control the various kinds of cash and means of transporting it.

1.5. The EESC proposes that, following a study and extensive consultations, the Commission should put together a plan for reducing the use of cash in the EU. In this regard, the question of whether the compulsory declaration threshold of EUR 10 000 is appropriate needs to be considered.

1.6. The EESC feels that the Commission should go further in setting out the penalties for failure to comply with the obligation to declare. Penalties should be harmonised across Member States and communicated to the Commission in a coherent way, so as to avoid creating loopholes for fraudsters.
1.7. The EESC reiterates its concerns, expressed previously in Opinion ECO/408 (1), that a range of factors may severely limit the effectiveness of the regulation. The main issue is that the tax havens in which the most significant money laundering takes place — and whose cash flows with the EU should in particular be monitored — do not feature in the list of countries and regions considered by the Commission in its proposal for a regulation of 14 July 2016 as presenting a high risk.

1.8. The investigation of criminal cash flows is linked to other offences, particularly tax offences. The EESC therefore proposes that tax authorities should also have access to information collected in the course of cash flow controls.

1.9. The EESC considers that, in addition to gold, other ‘highly liquid commodities’ should be included in the definition of cash from the moment the new regulation is adopted.

1.10. While acknowledging the social value of prepaid cards across the EU, the EESC draws attention to the threat of further use by criminals and terrorists of such instruments to covertly finance their activities.

1.11. Due to the increase in the amount of data being collected and exchanged between authorities, the EESC recommends strengthening protection of this data and exploring the possibility of applying more serious administrative and criminal penalties for officials and individuals who use it in an inappropriate or unlawful way.

1.12. The problem is international in scale and as a result EU institutions also need to play a full part in the work of international organisations active in this regard.

1.13. The EESC welcomes the removal from circulation of the EUR 500 banknotes starting from 2018, given that it is widely documented that they are used to make cash payments in illicit trafficking, as they are easy to transport and enable large amounts of money to be stored in smaller spaces.

1.14. The EESC reiterates to the Commission that the protection of the European citizens should remain a top level priority, no matter the costs and efforts involved.

2. Background and Commission proposal

2.1. In accordance with the Action Plan (2) for strengthening the fight against terrorist financing, the Commission is proposing a new regulation on controls of cash entering or leaving the EU from or to third countries, repealing the 2005 regulation (3) currently in force.

2.2. The EU adopted the fourth anti-money laundering and terrorist financing package in May 2015, comprising, among other initiatives, the fourth directive on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing (AMLD4) and the regulation on information accompanying transfers of funds (4), which are currently in the transposition phase. The EESC delivered its verdict on the legislative package in its opinion on the anti-money-laundering package (5).

2.3. In February 2016, the Commission published its Action Plan for strengthening the fight against terrorist financing (6), implemented in two legislative phases. In the first (July 2016), the Commission drew up proposals for two Directives: AMLD5, amending various aspects of AMLD4, the Directive on access to anti-money-laundering information by tax authorities (7), and the Commission Delegated Regulation (8) to identify high-risk third countries (tax havens), supplementing AMLD4 and AMLD5 (9). The EESC adopted opinions on AMLD5 and the regulation, as well as an opinion on the second directive (10).

(1) OJ C 34 of 2.2.2017, p. 121.
(2) COM(2016) 50 final.
(9) OJ C 34, 2.2.2017, p. 121.
(10) OJ C 34, 2.2.2017, p. 127.
2.4. During the second phase (December 2016), in addition to the regulation referred to in this opinion, the Commission put forward a proposal for a directive on countering money laundering by criminal law (11) and a regulation on mutual recognition of criminal asset freezing and confiscation orders (12).

2.5. The 2005 Regulation complements the provisions of the Anti-Money Laundering Directive (AMLD), introducing controls for cash consignments totalling EUR 10 000 and over. The current Commission (13) proposal seeks to: plug the gaps in current legislation in the light of investigations conducted by the police, the judiciary and customs authorities; develop and supplement the 4th AMLD Directive (14) and the 5th AMLD Directive (15) to tackle money laundering and terrorist financing; and adapt EU legislation, bringing it in line with international standards and recommendations, in particular Financial Action Task Force on Money Laundering (FATF) Recommendation No 32.

2.6. The present proposal addresses the imperfect coverage of cross-border cash movements, difficulties in the exchange of information between authorities, the impossibility of retaining sub-threshold amounts (under EUR 10 000), the imperfect definition of cash, divergent penalties for non-declaration in Member States and different implementation levels.

2.7. The proposal for a new regulation to replace the current legislation broadens and sharpens the definition of cash, dividing it into four categories: currency, bearer-negotiable instruments (cheques, traveller’s cheques, promissory notes and money orders), commodities used as highly liquid stores of value (gold coins and bars) and prepaid cards.

2.8. The proposal introduces an obligation to declare unaccompanied cash, meaning cash sent by post, courier or freight transport, amounting to EUR 10 000 or more. Some Member States carry out intra-EU cash controls as well.

2.9. It gives the competent authorities the power to carry out controls on consignments of cash amounting to less than EUR 10 000, as well as reporting and investigating wherever there are serious indications of criminal involvement.

2.10. It authorises the retention of funds where undeclared consignments of cash amount to EUR 10 000 or more, or where consignments of any value show signs of criminal involvement.

2.11. It improves information exchange by requiring active communication with FIUs; currently, the competent authorities are required only to make information available. Information about irregular operations must also be made available to the competent authorities of the other Member States and to the Commission, where there are indications of criminal involvement. Under the proposal, the information may also be communicated to third countries, subject to the fulfilment of certain requirements.

2.12. It promotes the introduction of penalties in all the Member States for failure to comply with the obligation to declare, supplementing legal penalties for criminal activity. The sanctions in each Member State must be communicated to the Commission.

3. General comments

3.1. The EESC welcomes the continued efforts of the Commission in the global fight against money laundering and terrorism. The EESC also endorses the proposed modifications made by this proposal aimed at improving the legislation in force.

3.2. The Commission and the other EU institutions must work hard to ensure that the European public is fully aware of their willingness to fight against money laundering and terrorism financing, making use of all the necessary legal instruments, intelligence, law enforcement and judicial action. The knowledge that the institutions’ efforts in this regard are taking place in cooperation with all Member States will strengthen their credibility and legitimacy. Although not all of them can be published, a set of indicators on money laundering and terrorist financing is already being used.

(15) Proposal for AMLD5.
3.3. The EESC calls upon the EU and the Member States to promote continued cooperation at international level in combating terrorism, money laundering and the serious crimes associated with these. All EU institutions should work to ensure that the measures proposed by the Commission are also adopted at the international level. This is one way of making them more effective.

3.4. The proposal for a new regulation aims to combat illegal cash flows between the EU and third countries. In order for it to succeed, the European Commission needs to cooperate with the Member States so as to ensure that their competent authorities are equipped with the most effective technical and human resources, as well as any other necessary resources (e.g. trained sniffer dogs).

3.5. Terrorist financing schemes can be very diverse, varying from abuse of legal businesses or legitimate non-profit organisations to criminal activities or abuse of the international trade system. Terrorist organisations continuously evolve their financing methods in order to avoid the existing legislative stipulations, and therefore continuous updates to the legal framework are clearly needed. Differences in legislation across Member States are usually exploited by criminals and terrorists, who choose the countries where the legislation is weakest to carry out their financial transactions.

3.6. As a result of the development of the European Agenda on Security (16), the response to the terrorist attacks perpetrated in Europe and elsewhere, as well as public interest in money laundering, tax fraud and tax avoidance operations carried out through tax havens, the Commission has adopted a great many legislative initiatives over the past two years.

3.7. According to the FATF Report (17), cash is widely used in the criminal economy and remains the most significant resource for financing terrorism. The volume of money ‘laundered’ this way is difficult to estimate, but the FATF Report estimates that it is ‘between hundreds of billions and a trillion US dollars per year’.

3.8. An analysis of the effectiveness of the current regulation has revealed that the number of cash consignments entering and leaving the EU remains high. However, cash controls are limited in number (100 000 per year in all the Member States put together) and vary from country to country, and the number of suspicious cases investigated varies considerably. Only nine countries participated in the most recent consultation on the subject and data concerning both the number of cases and analyses thereof was disparate and limited.

3.9. Loopholes in the current regulation mean that cash sent in the post, via courier or by freight is not subject to enough targeted controls. On a number of occasions, the competent authorities have lacked the necessary tools to carry out sufficient controls.

3.10. Extending the scope of the controls and giving the competent authorities the power to conduct checks and confiscate goods where criminal involvement is suspected, even below the EUR 10 000 threshold, will enable the discovery of more fraudulent cases and the gathering of more information. The information obtained is currently not used as it should be. Information is made available passively in certain Member States and no measures are in place to ensure that it is processed correctly. Communication between the competent authorities must be improved as a matter of necessity: between the customs authorities, for the most part in charge of carrying out the controls and the FIUs in charge of receiving and analysing the information; between the FIUs and the tax and judicial authorities; between the competent authorities in the Member States and those in third countries, particularly those that are responsible for increased flows of illegal cash to and from the EU, as is the case with tax havens.

3.11. The penalties applied under the current regulation for failure to declare cash have not been harmonised and the analyses carried out would appear to show that they do not have the dissuasive effect intended. The new regulation requires Member States to introduce penalties for failure to comply with the obligation to declare, irrespective of whether criminal involvement is suspected or whether the cash is linked to investigations into other crimes or infringements; these penalties must be communicated to the Commission. The EESC suggests that a common communication procedure for all Member States should be set up. However, each Member State is free to determine its own penalties. The penalties laid down under Article 13 must be harmonised so as not to create windows of opportunity for criminals working through particular countries.

3.12. Implementing the regulation and the above-mentioned anti-money laundering measures will greatly increase the amount of personal data collected, stored and made available to the competent bodies and authorities in the fight against money laundering and terrorist financing. If we are to uphold the fundamental rights of individuals, in particular with regard to the protection of personal data, it is important to assess the need for new protection mechanisms, to introduce them where necessary, and to promote heavier criminal sanctions for public officials and other individuals who use the information illegally.

3.13. The type of channels and procedures used to tackle money laundering and terrorist financing, including illegal cash consignments, have led the Commission, quite rightly, to adopt legislative measures that extend to both crimes. Both are connected with others of similar or greater magnitude. Close coordination through the appropriate mechanisms between all the authorities and national bodies concerned and the Member States is essential to ensure the effective implementation of the regulation and the other relevant legislative measures. It must be said that cooperation between the various authorities and institutions in the Member States — police, intelligence, judicial, customs and tax — is far from optimal. The EESC is particularly concerned at the lack of cooperation between the national police forces and Europol, as demonstrated by the fact that most Member States have not made their anti-terrorist databases available to the European law enforcement agency. The EESC therefore calls on the EU authorities and on the Member States to put an end to this situation.

3.14. Another considerable obstacle to the effective application of the regulation and the other relevant legislative provisions to tackle money laundering and terrorist financing is the lack of any real political will to eradicate tax havens. The most compelling evidence for this is the list of ‘high-risk third countries with strategic deficiencies’, which appears in the Annex to Regulation (EU) 2016/1675, supplementing AMLD4 and AMLD5. Not one of the tax havens which account for the majority of illegal transactions, in particular the cash flows discussed in the proposal for a regulation, appears on the list. The EESC is forced to reiterate the call made in Opinion ECO/408: the Commission should propose a new list of tax havens, merging it into a single list of third countries and territories not cooperating in the prosecution of financial crimes and terrorist financing.

4. Specific comments

4.1. Terrorist financing has a clear globalised component, meaning that terrorist operations in one country are often financed by criminal activities in another. Cash controls and intensive legislative changes are needed in order to block cash movements, track and limit financial operations, as well as facilitate important information about terrorists and their funders. As it is fully aware of the external dimension of terrorist financing, the EESC recommends the full involvement of all EU institutions across all relevant international organisations, where represented, in order that similar measures may be implemented worldwide.

4.2. Cash consignments continue to be the main channel through which money launderers and other financial criminals operate (18). The EESC recommends that, having carried out a comprehensive study, consulted all the parties concerned, and established a close working relationship with the Member States, the ECB and the National Banks, the Commission should draw up a plan to reduce cash use in the EU. The suppression of EUR 500 bills is a step in the right direction. As part of this study, the question of whether the compulsory declarations threshold of EUR 10 000 is appropriate should be considered.

4.3. The EESC asks the European Commission to increase its efforts to have the outcomes of the Warsaw Convention (19) ratified across the EU in a coherent manner. So far, only 17 Member States have ratified it, although 26 have signed it.

4.4. The EESC acknowledges that the proposed regulation could bring significant improvements to the tools we use to fight terrorism financing, while at the same time having a minimal impact on European small and medium-sized enterprises.

4.5. The EESC believes that developing financial cooperation policies with neighbouring countries and those that account for particularly heavy migratory flows towards the EU is essential in order to facilitate transparent financial transactions and lower costs. The barriers and high cost of transferring money into and out of these countries encourage the use of cash consignments and opaque transactions, and thus the use of these methods for criminal purposes.

4.6. Recent attacks on EU soil show that prepaid cards have been used by terrorists to pay for hotel rooms, for example (e.g. the Paris attacks, 13 November 2015). While the social value of these instruments is obvious, in that they allow vulnerable or excluded people to make payments both online and offline, the EESC draws attention to the threat of further use of such instruments by criminals or terrorists.

4.7. The illegal transportation of cash is linked to other types of offence: tax offences, money laundering and terrorism financing. The Commission’s proposal for a regulation does not make it possible to exchange regular cash declaration data for fiscal purposes. The EESC feels that the prosecution of these offences should be carried out in a comprehensive way. In particular, it takes the view that the exchange described above ought to be allowed to take place, given the clear link between tax fraud and money laundering activity, in many cases involving the movement of cash.

4.8. While Articles 2.2 and 14 of the proposed regulation give the Commission the power to adopt delegated acts to amend the annex, particularly the section specifying which ‘commodities used as highly liquid stores of value’ are considered to be forms of cash, the EESC believes that there is no reason to limit this category to gold alone from the outset. Other particularly valuable commodities, such as precious metals or gemstones (whether raw or cut), could be included in the first list approved by Parliament and the Council.

4.9. The EESC reiterates the fact that ensuring the security of our citizens should remain one of the main concerns of both the EU and Member States, no matter the amount of effort needed.


The President
of the European Economic and Social Committee
Georges DASSIS

(COM(2016) 731 final — 2016/0357 (COD))

(2017/C 246/05)

Rapporteur: Jan SIMONS (NL/L)

Consultation
European Commission, 17.2.2017
European Parliament, 19.1.2017

Legal basis
Article 304 of the Treaty on the Functioning of the European Union

Section responsible
Employment, Social Affairs and Citizenship

Adopted in section
3.4.2017

Adopted at plenary
27.4.2017

Plenary session No
525

Outcome of vote
184/0/4

1. Conclusions and recommendations

1.1. The EESC considers the intention to create a European Travel Information and Authorisation System (ETIAS), to identify risks associated with visa-exempt visitors travelling to the Schengen Area, as a currently inevitable step corresponding to the threats caused by external and internal circumstances.

1.2. The Committee welcomes the fact that ETIAS fits into the general strategy of the EU in the area of migration and security as defined by the Commission in its 2011 Smart Borders programme, and that the information gathered via the system will allow for the prior verification of potential security or irregular migration risks to protect EU citizens against persons entering with ill intent.

1.3. The Committee strongly stresses that ETIAS should fully respect the fundamental rights of applicants and avoid any discrimination. All data, especially relating to sensitive information about health, education, criminality etc., gathered by the system must be protected and access to it should be strictly limited to the authorities investigating criminal activities, terrorism, illegal immigration and other threats. ETIAS must also respect the right of applicants to appeal against refusal to grant them travel authorisation or to withdraw it.

1.4. The Committee is aware of the need to solve many technical issues concerning ETIAS, especially interoperability and interconnectivity with other data collecting systems and governance. ETIAS should be based on the right balance between risks and safety, at the same time avoiding increased administrative burdens and barriers for visitors travelling frequently to the EU for business, study, medical treatment, etc.

1.5. The Commission and the Council should also pay attention to the political aspects of the establishment of ETIAS. The relevant countries should be informed about the reasons for the obligation to obtain travel authorisation in spite of a visa-free regime and about the advantages of enabling smooth and fast border-crossing for travellers with travel authorisation. The Commission should also take care that any eventual reciprocal measures from the relevant countries for EU citizens are proportionate to the EU measures.
1.6. ETIAS should give consideration to people who are not able to apply online and provide ‘application booths’ for applicants at the main departure air- and seaports and also at major land border crossings. All applicants should be allowed to use the services of intermediaries such as travel agencies or transport companies. However, the costs charged by these intermediaries for their services should be monitored and evaluated by EU delegations in the third countries.

1.7. It will be also necessary to properly define the criteria for the proposed categories of third-country nationals who will be exempted from the obligation to obtain travel authorisation, taking into consideration migration, security or health risks.

1.8. The Committee calls for solutions to be found for the Member States that have not yet fully applied the Schengen acquis (Bulgaria, Croatia, Cyprus and Romania) and consequently have no access to SIS, VIS and EES.

2. **Background**

2.1. The European Union’s citizens expect the authorities to ensure their security in an open Europe. They count on the external borders of the Schengen area to be managed effectively, in order to prevent irregular migration, to ensure both greater internal security and free movement within the Schengen Area and to facilitate the crossing of the EU’s external borders in a world of mobility.

2.2. Today, around 1.4 billion people from around 60 countries worldwide \(^1\) can benefit from visa-free travel to the European Union and from the principle of reciprocity, which also benefits EU citizens by facilitating visa-free travel abroad. The number of visa-exempt third-country nationals visiting the Schengen countries will continue to grow, with the figures for such individuals crossing the Schengen border expected to increase by over 30% by 2020, from 30 million in 2014 to 39 or 40 million in 2020 \(^2\).

2.3. These figures demonstrate the need to put in place an authorisation system similar to those existing already in some countries \(\text{USA} \(^3\) — since 2009, Australia \(\text{Australia} \(^4\) — since 1996, Canada \(\text{Canada} \(^5\) — since 2016), namely to assess and manage the potential irregular migration and security risks represented by third-country nationals visiting the EU, yet in a lighter and more visitor-friendly way than the standard visa regime, in line with the objectives of the EU’s visa liberalisation policy.

2.4. In comparison to third-country nationals requiring visas, the competent border and law enforcement authorities have little information on visa-exempt third-country nationals as regards risks they may pose before their arrival at the Schengen border. Adding this missing layer of data and risk assessment to visa-free visitors would bring significant added value to existing measures to maintain and strengthen the security of the Schengen area and would allow visa-free visitors to enjoy their visa-free status.

2.5. In its 2011 Smart Borders programme, the Commission stated the need for more modern and efficient management of traveller flows at the EU’s external borders, using new technologies to simplify life for foreigners travelling frequently to the EU and to better monitor third-country nationals crossing the borders.

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\(^{1}\) Albania, Andorra, Antigua and Barbuda, Argentina, Australia, Bahamas, Barbados, Bosnia and Herzegovina, Brazil, Brunei, Canada, Chile, Colombia, Costa Rica, Dominica, El Salvador, Grenada, Guatemala, Honduras, Hong Kong, Israel, Japan, Kiribati, Macau, Macedonia, Malaysia, Marshall Islands, Mauritius, Mexico, Micronesia, Moldova, Monaco, Montenegro, New Zealand, Nicaragua, Palau, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Serbia, Seychelles, Singapore, Solomon Islands, South Korea, Taiwan, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu, United Arab Emirates, United States of America, Uruguay, Vanuatu, Vatican City, Venezuela, United Kingdom British nationals who are not nationals of the United Kingdom for the purposes of European Union law.

\(^{2}\) The visa-free regime is currently being agreed or negotiated with Ukraine, Georgia, Kosovo and Turkey.

\(^{3}\) 30 million requests yearly.

\(^{4}\) 1 million requests yearly.

\(^{5}\) 3 million requests yearly.
2.6. The new threats and challenges that appeared in the subsequent years necessitated a revision of the initial Smart Borders programme and, after technical studies and a consultation process, a new legislative proposal was published in 2016 for a Regulation establishing the Entry/Exit System. The EESC adopted its opinion on the EES in September 2016 (6). The recently proposed amendment to the Schengen Borders Code (7) in order to reinforce checks against relevant databases (SIS, the Interpol database on stolen or lost travel documents and other European databases) at external borders, aims to introduce mandatory checking of all third country nationals as well as EU citizens both when entering and when exiting the European Union.

2.7. To complete this revision process, the Commission published a proposal to establish a European Travel Information and Authorisation System (ETIAS) to strengthen security checks on visa-free travellers (8). This will be an automated IT system created to identify any risks associated with a visa-exempt visitor travelling to the Schengen Area, with 40 million requests being expected from the start in 2021 (9).

2.8. The information gathered via the system will allow for the prior verification of potential security or irregular migration risks, in full respect of fundamental rights and data protection.

2.9. ETIAS authorisation is not a visa. Nationals of visa-free countries will still be able to travel without a visa but will be required, as a mandatory condition for entry to the Schengen area by air, sea or inland transport modes, to obtain travel authorisation prior to their journey after payment of a fee (the suggested amount is EUR 5). In order to decide whether to issue or reject a request to travel to the EU, the system will conduct automatic checks (95% positive results expected) or, if necessary, additional manual prior checks and then either issue or refuse a travel authorisation. The result of this procedure will be communicated to the applicant within a very short period (a few minutes or maximum 72 hours if additional checks are needed) The final decision to grant or refuse entry will always be taken by the national border guards conducting border controls under the Schengen Borders Code.

2.10. However, prior verification of visa-exempt third-country travellers will facilitate border checks and ensure a coordinated and harmonised risk assessment of third-country nationals and substantially reduce the number of refusals of entry at border crossing points. Although the travel authorisation is valid for 5 years — or until the expiry of the validity of the travel document — it may be revoked or annulled should the conditions for issuing the travel authorisation no longer apply.

2.11. The proposed Regulation includes a general principle that ETIAS is built on the interoperability of information systems to be consulted and on the re-use of components developed for those information systems, in particular the EU Entry/Exit System (EES). This approach will also achieve significant cost-savings for the set-up and operation of ETIAS. ETIAS and EES would share a common repository of personal data of third-country nationals, with additional data from the ETIAS application (such as residence information, answers to background questions, IP address, etc.) and the EES entry-exit records separately stored, but linked to this shared and single identification file. This approach is fully in line with the interoperability strategy and would include all appropriate data protection safeguards.

2.12. Europol will be involved in drawing up the ETIAS screening rules and the ETIAS watch-list that will consist of data related to persons who are suspected of having committed or taken part in a criminal offence or persons regarding whom there are factual indications or reasonable grounds to believe that they could commit serious criminal offences or represent other security and health risks.

(9) The expected daily amounts, as estimated by the European Commission are: around 107 000 of which 5% need manual processing. 3-5% of those cases could be solved at the central unit, while the rest would go to the national units.
2.13. Eu-LISA, the European Agency for the operational management of large-scale information systems in the area of freedom, security and justice, will develop the ETIAS Information System and will be responsible for its technical management. The cost for developing ETIAS is estimated at EUR 212.1 million and the average annual running costs at EUR 85 million. ETIAS is expected to be operational as early as 2020.

3. General comments

3.1. The EESC considers the intention to create the ETIAS as a currently inevitable step corresponding to the threats caused by external and internal circumstances. This step may not be welcomed by travellers from third countries with visa-free regime, but it fits into the general strategy of the EU in the area of migration and security as defined by the Commission in its 2011 Smart Borders programme.

3.2. The Committee notes that the ETIAS proposal aims to fill the gap in the management of the EU’s external borders that allows citizens of visa-free countries to cross the EU’s borders in the absence of proper information on these third-country nationals prior to their arrival at the Schengen border as regards the risks they may pose.

3.3. The ETIAS proposal focuses on the technical aspects of the system, its governance, the necessary information technology and interoperability and interconnectivity with other data-collection and data-analysis systems. The Committee is aware of the extreme complexity of these issues and the need to solve many technical issues so that the system can be fully operational after its launch, which is planned for 2021. ETIAS should strike the right balance between risks and safety, at the same time avoiding increased administrative burdens and barriers for all those who travel frequently to the EU, especially for business, work, research or study.

3.4. The Committee is convinced that the Commission and the Council should also pay attention to the political aspects of the establishment of ETIAS and should explain to the relevant countries the reasons for its establishment, including the advantages of enabling smooth and fast border-crossing for travellers with travel authorisation and ensuring an adequate level of security while making the information requirements for such authorisation lighter and less burdensome than for the standard visa procedure. The Commission should also take care that if the relevant countries adopt any reciprocal measures vis-à-vis EU citizens, these are proportionate to the EU measures.

3.5. The Committee recommends that the relevant countries be informed about the proposed system in due time and that the necessary communication campaigns are run so that travellers are duly informed and the system is introduced step by step, starting out as optional before becoming mandatory once it is properly implemented and technically viable.

3.6. The Committee calls on the Commission to decide on the possible forms of cooperation with the EU security services and to use their expertise to establish risk profiles and compile the ETIAS watch-list.

3.7. The Committee, in its opinion on the smart borders package, stressed the need to strictly respect fundamental rights and the principle of non-discrimination and of using procedural and institutional means to ensure that all data collected and stored in the system is protected and used appropriately. This relates in particular to sensitive personal data on education, health, criminality, etc. In this connection, the Committee reiterates its request and insists that access to the data linked to travel authorisations should be strictly limited to the authorities investigating criminal activities, terrorism, illegal immigration and other threats.

3.8. The Committee supports the proposed ETIAS structure, which should consist of an information system, an ETIAS Central Unit within the European Border and Coast Guard (EBCG) and national units. It will be necessary to monitor the equal and thorough implementation of the ETIAS by all Member States. The Committee supports the creation of a Programme Management Board, which is necessary to ensure effective interaction between the central development team and the Member States, which proved very useful during the development of SIS II.

3.9. The Committee strongly urges that ETIAS be fully interoperable with other European information systems and interconnected with Interpol databases, and that components of other European systems, in particular the EES, be used, while showing due regard for fundamental rights and personal data protection.

3.9.1. In this connection the Committee asks the Commission and the co-legislators to take into account the remarks and recommendations of the European Data Protection Supervisor in his Opinion on the proposal of ETIAS (12), especially the requirements to respect the substantial distinctions between migration and security policy areas, to limit the accessibility of personal data, to consider reliability and usefulness of collected health data, to better define the profiling tools for automatic screening of applications and other.

3.10. The ETIAS watch-list will consist of data related to persons who are suspected of having committed or taken part in a serious criminal offence as defined in the proposal or persons regarding whom there are factual indications or reasonable grounds to believe that they could commit such serious criminal offences or represent other security or health risks. The Committee suggests that, in keeping with European standards, applicants should have the right to know the grounds for the refusal and should have the possibility to appeal.

4. Specific comments

4.1. The Committee agrees that the duration of data retention should be set at 5 years, as it is in the EES regulation.

4.2. The Committee insists that the ETIAS should be able to respond flexibly and efficiently to changes in migration patterns, security and health risks, without having to go through lengthy legislative procedures using implementing and delegating acts, provided that it is subject to democratic oversight.

4.3. ETIAS should give consideration to people who are not able to apply online for any serious reason. The Committee supports the intention to provide 'application booths' available for applicants at the main departure air- and seaports and also at main land border crossings. All applicants will be allowed to use the services of intermediaries such as travel agencies or transport companies. However, the costs charged by them for these services should be monitored and evaluated by EU delegations in the third countries.

4.4. Given the expected increase in the frequency of crossings of the EU's external borders (especially its land borders), any opportunity to enhance the effectiveness of border checks should be seized, as declared in the objectives of the Regulation. The Committee therefore suggests that certain information contained in the application for a travel authorisation be made available to the border authorities.

4.5. The Committee wishes to avoid the potential bottleneck in ETIAS as a result of allowing too short a period for the manual assessment of requests for travel authorisation, because there must be high-quality screening of applicants potentially involving consultations with other Member States and Europol. Therefore the Committee suggests extending the periods for manual assessment and setting strict criteria for such extensions.

4.6. It will be also necessary to properly define the criteria for the proposed categories of third-country nationals, who will be exempted from the obligation to obtain the travel authorisation, taking into consideration migration, security or health risks.

4.7. Regarding the proposed fee for the application for travel authorisation, the Committee calls for the following criteria to be met: the fee for processing applications and the means of collecting it should not prevent certain groups of people from requesting travel authorisation, and it could also function as a filter preventing the submission of multiple applications for such travel authorisations.

4.8. There must be sufficient guarantees that ETIAS is immune to identity fraud, including the possible future use of biometric data.

4.9. The Committee supports the right of applicants to appeal against a refusal of a travel authorisation, or against it being revoked or annulled.

4.10. The Committee draws attention to the fact that there are Member States that have not yet fully applied the Schengen acquis (Bulgaria, Croatia, Cyprus and Romania) and consequently have no access to SIS, VIS and EES. The issue of how ETIAS is to function in these countries is not mentioned in the proposal for a regulation and the Committee calls for solutions to be found for these States.

4.11. The Committee wishes to point out that in the case of passenger transport on inland waterways, such as Danube cruises that could, in a non-EU or non-Schengen State, take on board new passengers who do not need visas to enter the EU, ETIAS will have to apply to the crossing of Schengen borders by water.


The President of the European Economic and Social Committee
Georges DASSIS

[COM(2016) 759 final — 2016/0375/(COD)]
(2017/C 246/06)

Rapporteur: Brian CURTIS

Consultation
European Parliament, 16.1.2017
Council of the European Union, 20.1.2017

Legal basis
Articles 191, 192 and 194 of the Treaty on the Functioning of the European Union

Section responsible
Section for Transport, Energy, Infrastructure and the Information Society

Adopted in section
11.4.2017

Adopted at plenary
26.4.2017

Plenary session No
525

Outcome of vote
103/0/1

(for/against/abstentions)

1. Conclusions and recommendations

1.1. The Governance Regulation is intended to provide not only the entire framework through which the numerous aspects of the Energy Union will operate but also to set out clear reporting responsibilities and a process for achieving all the climate and energy targets of the EU for the foreseeable future. It is a complex, far-reaching and vitally important piece of legislation.

1.2. Without a strong governance process it is no exaggeration to say that the Energy Union will fall apart and the chances of the EU meeting its own commitments and those under the Paris Agreement will be greatly reduced. Essential to the success of this process is the involvement and engagement of civil society, the cooperation and support of Member States and the agreement and commitment of the social partners. In particular it must be clear that the Regulation facilitates a just energy transition, especially in terms of jobs and the costs of energy for households and business.

1.3. The EESC supports the proposed Governance Regulation. It elaborates a framework enabling Member States to make the least-cost choices for their own national energy and climate plans and mitigates the risks of stranded infrastructure assets. However, this is unlikely to happen unless changes are made to the Regulation. Associated supporting measures must be provided which will enable the building of social consensus at national, regional and local level concerning how best to address the socioeconomic and technical implications of achieving a just energy transition.

1.4. Energy solidarity and security is vitally important and although it is one of the five main reporting and assessment areas in the regulation, particular attention needs to be paid to establishing a clear and shared energy diplomacy and policy towards third countries.

1.5. Unless the proposed Governance Regulation is strengthened the whole Energy Union concept is under threat by weakening the legitimacy of the EU’s mandate to lead the energy transition. There is also a grave risk that unless tangible measures are taken to engage citizens and require accountability the perception of the EU as a remote and technocratic entity will be compounded.

1.7. The Regulation should clearly state that it is looking beyond 2030 and include the explicit EU commitment to its 2050 GHG target and ideally to its new international commitment to net-zero GHG emissions by 2050.

1.8. The Annex to the Regulation should contain indicative 2030 reference values (Commission best estimates) for Member States’ national contributions on renewable energy and energy efficiency.

1.9. The Regulation should require Member States to enshrine their agreed 2030 contributions in national law.

1.10. The Regulation should clearly state that it is the responsibility of individual Member States to contribute to the overall EU targets in a way that is both adequate and proportional.

1.11. It should be emphasised that data provided by Member States must be relevant to the reporting period and up-to-date and that adequate resources and support systems are in place to ensure this is the case.

1.12. The national plans for 2030 should be developed based on insights and guidance from the long-term strategies in order to yield the most benefits (for instance, short-term choices would be more cost-efficient if they were made in line with the long-term strategy).

1.13. The Regulation should include a ‘ratchet’ provision as a mechanism to contribute to the Paris Agreement aspirational goal of not exceeding 1.5 °C warming above pre-industrial levels.

1.14. A ‘reference definition’ for energy poverty should be contained in the Annex to enable comparable and consistent analysis of data.

1.15. The Regulation should make it clear that it is mandatory for Member States to publish draft NECPs at the earliest possible stage and that all subsequent iterations of the evolving plan, including comments and responses from the Commission, regional partners and Member States, will be in the public domain.

1.16. Greater detail should be provided on the assessment of compensating financial contributions and the nature of the ‘financial platform’ and whether this can be used to leverage additional finance. The scope of application of funds should be widened to include energy efficiency measures.

1.17. The definition of ‘regional’ cooperation should not be confined to geographic proximity but include groupings of states with complementary energy resources, including non-Member States.

1.18. The Annex should contain specific provisions concerning the nature, extent and resourcing of public consultation to ensure consistent and informed citizen awareness and engagement across the EU.

1.19. The formation of a dedicated European Energy Information Unit within the EEA should be considered.

1.20. A ‘Brexit’ scenario alongside the ‘28’ scenario should be developed and both scenarios discussed in parallel as national contributions are assessed.

2. Introduction

2.1. Europe currently faces many challenges; whether political, economic, or technical they affect the individual citizen and consequently shape the nature, and the future, of our democracy. For many years energy has been an arena in which powerful political, technical and economic forces have been at work. The Energy Union, with its vision for the future and cohesive strategy, is the EU’s main vehicle to ensure that Europe’s energy is secure, affordable and climate-friendly.
2.2. Effective governance of the Energy Union is not only about building consumer and investor confidence so maximum benefit can be delivered at the lowest cost — it is critical in demonstrating the Union’s commitment to implementing the Paris Agreement and setting the EU on a path to exceed the 2030 energy and climate targets. Getting the Governance Regulation right therefore offers Europe a vital opportunity to demonstrate its value to citizens, Member States and the world. It is particularly vital as it transcends the divide between the Emissions Trading System and the Effort Sharing Regulation in terms of getting Member States to plan for whole economy decarbonisation.

2.3. In April 2015 the EESC adopted an exploratory Opinion requested by the European Commission on The development of the governance system proposed in the context of the 2030 climate and energy framework[1]. The intervening period has certainly seen the need for action on energy and climate become more urgent and the need to embrace a longer-term perspective on governance of the low carbon transition. This proposed Regulation now sets out the requirements for integrated National Energy and Climate Plans (NECPs) and a streamlined process to establish and oversee them. However, in the last two years citizen confidence in political and institutional leadership and political cohesiveness across the EU in general has weakened, making the challenge of governance simultaneously more necessary and more difficult.

2.4. In addition, the December 2015 Paris Agreement provided a global level accord signed jointly and severally by the EU and its Member States committing to Nationally Determined Contributions (NDCs), which can be regarded as coterminous with those in this Regulation. Furthermore, it agreed to pursue efforts to limit the global temperature increase to 1.5 °C above pre-industrial levels — an aspiration requiring long-term planning and demanding targets likely to be more ambitious that those so far agreed for 2050 by the EU.

2.5. In its 2015 Opinion the EESC anticipated these trends and took a pragmatic approach, seeing the necessity for deep and extensive citizen education, information and engagement as a precursor to any successful governance proposal. There are few signs that this has taken place. Governance — with its implications for binding requirements on national sovereign action — is a sensitive area, not least in energy where Member States’ circumstances differ widely. In addition, any process needs to be complemented by non-legislative measures and action to guarantee success.

2.6. In 2001 the European Commission adopted a White Paper on governance[2]. It sets out five principles of good governance that are still valid (but not always implemented):

— Openness

— Participation

— Accountability

— Effectiveness

— Coherence

They reflect the principles and values the EESC supports but we would add a further principle of ‘just transition’ in the context of the proposed Regulation.

2.7. The governance system must also allow for the on-going expression of views, preferences, perceptions and values to continuously inform decisions and fine-tune policy. Governance must be about ensuring robust and legitimate processes for decision making but also enabling those choices to be tailored to national circumstances and to adapt to unforeseen events over time. This does not mean frequent changes of direction. On the contrary it means the overall direction of travel is protected via the commitment to near and long-term targets consistent with climate science and a stable process for decision making concerning how to deliver those targets – in effect, more consistency and inclusive dynamics.

3. Gist of the Commission’s proposal

3.1. The proposed Governance Regulation, which seeks to ensure that the policies and measures comprising the Energy Union are coherent, complementary and sufficiently ambitious, is based on two cohesive strands. The first seeks to streamline and better integrate the planning, reporting and monitoring obligations in NECPs and 2050 plan making and the subsequent progress reports, with a layer of integrated Commission monitoring at EU level; the second suggests a political governance process between the Commission and Member States on the establishment and implementation of national plans. If the proposal is agreed as outlined (a new legislative measure and revisions of existing secondary legislation) it would represent a new cooperation mechanism between Member States and the Commission.

3.2. In total, the proposed Regulation offers a legislative foundation in which more than 50 existing individual planning, reporting and monitoring obligations of the energy and climate acquis are integrated (31) or repealed (23). It applies to five dimensions of the Energy Union: energy solidarity and security, energy market, energy efficiency, decarbonisation and research, innovation and competitiveness. It defines in some detail the content of the integrated NECPs which, from January 2019 and every 10 years thereafter, are required from each Member State covering these five dimensions. Public consultation and regional cooperation are required, together with a five-yearly update of the first, and subsequent plans. The key outcomes are national contributions in renewable energy and energy efficiency and the production of 2050 plans for economic decarbonisation.

3.3. Provision is made for the Commission to assess the plans, their updates and consequent action by Member States following recommendations by the Commission. A detailed biennial reporting structure to be observed by Member States is set out with detailed requirements on greenhouse gas policies, measures and projections, national adaptation actions, financial and technology support provided to developing countries, auctioning revenue, renewable energy, energy efficiency, energy security, the internal energy market and research, innovation and competitiveness. An ‘e-reporting platform’ for these reports is proposed.

3.4. The Regulation contains detailed clauses on assessment, follow-up and a recommendation and response mechanism where it is deemed there is insufficient ambition or progress. The provision of an extensive, mandatory framework for NECPs helps to ensure comparability and consistency. There is a requirement for a Member State to make a financial contribution to a financial platform covering any shortfall on agreed renewable energy baseline targets. The annual State of the Energy Union report shall contain comprehensive reports on these areas. The European Environment Agency is given a specific and far-reaching role in assisting the Commission.

3.5. The Regulation is complementary to and consistent with the European Semester, and where energy and climate specific policy issues are relevant for macroeconomic or structural reforms, they can still be addressed by the country specific recommendations in the European Semester process.

4. General and specific comments

4.1. Objectives, targets and contributions

4.1.1. The Governance Regulation provides a detailed framework for NECPs and a subsequent reporting, assessment and adjustment process. It revolves around setting objectives, monitoring targets and achieving contributions. However, explanations of these terms are not to be found in Article 2 — Definitions, an omission which should be remedied.

4.1.2. The EESC supports and endorses the detailed frameworks provided in Annex 1 for the mandatory NECP. These replace separate plans for energy efficiency and renewables. Particularly vital is the obligation for each Member State to set national contributions in these areas, which, when aggregated should achieve, at a minimum, the overall targets agreed at EU level.
4.1.3. The EESC in its previous Opinions has firmly and consistently argued for binding national targets (3). It has done this because of the many failures in past energy policies due to weak implementation. If rigorously applied, adjusted and enforced the NECP contributions could achieve an equivalent outcome to binding targets. However, for this to become a reality a number of weaknesses in the present proposal need to be dealt with.

4.1.4. The baseline for national contributions on energy efficiency and renewable energy is the agreed commitments already indicated by Member States to be achieved by 2020. However, the Regulation would be strengthened if it included indicative 2030 reference values for Member States’ contributions. These will have to be determined in any event as a basis for the adjustment dialogue and will speed up the iterative process which is envisaged if tabled and made public at an early stage.

4.1.5. Some countries have established their 2020 energy targets in national law. The EESC believes that the Regulation should require Member States to enshrine their agreed 2030 contributions in national law to give weight to the targets through a legislative imperative. However, experience shows that even legal obligations cannot necessarily guarantee delivery which is why we emphasise the importance of good governance as a stable process to ensure progress and later in this Opinion we particularly emphasise the importance of much stronger provisions to enable and guarantee stakeholder engagement in governance.

4.1.6. To further strengthen the importance of national ‘contributions’ the Regulation, for both energy efficiency and renewables, should clarify that it is the responsibility of individual Member States to contribute to the overall EU targets in a way that is adequate and proportional. At present this obligation is a collective responsibility.

4.2. **Reporting process**

4.2.1. The EESC welcomes the reporting process required from Member States and the analytical/critical role on such reports given to the Commission in conjunction with the European Environment Agency. Accurate, firm and fearless analysis will be essential if the consequent recommendations and opinions of the Commission are to have effect. It is also essential that data must be relevant to the reporting period and up-to-date as highlighted in the EESC’s Opinion on the State of the Energy Union 2015 (4).

4.2.2. Although the data required from the reporting process is aligned with that needed under the Paris Agreement on climate change the NECP updates happen prior to the completion of the five-yearly global stocktake of the Paris Agreement which would significantly delay response to any upgrade in the EU Nationally Determined Contribution. This is an unacceptable undermining of aligned governance given the EU has now signed the Paris Agreement. The opportunity should be taken to ensure appropriate sequencing of the UN and EU NDC reviews.

4.2.3. Associated with this the Regulation should include a ‘ratchet’ provision as a mechanism to contribute to the aspirational goal of 1.5 °C warming above pre-industrial levels. This could be via a process of adopting carbon budgets in 5-10 stages in which the EU commits to getting to net-zero GHG emissions by 2050.

4.2.4. The Regulation requires the NECP to contain, inter alia, an impact assessment on social issues and specifically national objectives on energy poverty and an action programme. The EESC has been particularly concerned with this issue and welcomes this inclusion. However, NECPs are free to determine their own definition of energy poverty which will make comparison of data across Member States impossible, thus undermining the EU’s chances of making a just transition and

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the likelihood of public opposition to the transition itself. Therefore, we recommend that the Regulation should include a simple reference definition. This would not be binding for Member States to adopt for internal purposes but would establish a criterion against which NECPs would be required to report. An example of such a definition would be ‘energy poverty exists when a household spends more than 10% of disposable income on energy for heating and cooling to an adequate level.’ Such a definition has enabled some countries to assess progress — or otherwise — in tackling energy poverty but the multi-factorial nature of the problem may require a definition including other elements.

4.3. **Transparency, accountability and enforcement**

4.3.1. The Committee notes that much previous energy-related legislation has suffered from delay or inaccuracy in transposition and enforcement. Member States must therefore make a maximum effort, in a spirit of solidarity and commitment, to apply political will, and administrative resources to the effective implementation of the Regulation. There is an exceptionally demanding timetable. Draft NECPs — which have previously been subject to an effective consultation process and regional dialogue, need to be given to the Commission on 1 January 2018. This implies that NECPs and the associated dialogues with stakeholders and regional partners are already under development. The EESC appreciates that the demands of a new framework and targets for the 2020-2030 period are driving this process but is concerned that without essential citizen understanding and engagement, the legitimacy of EU energy policy may be undermined, particularly amongst consumers facing rising energy costs.

4.3.2. The envisaged governance process contains little in the way of overt sanction for under ambition or non-compliance. Transparency and accountability are essential if stakeholders, particularly the citizens, are to exercise influence. The EESC therefore suggests that an independent stakeholder body is established to ensure effective stakeholder representation and consultation in each Member State and that such a body publishes its own annual report on the governance process and accompanying dialogue. (See 4.6).

4.3.3. Transparency is mentioned frequently in the Regulation but the EESC is concerned that it is not made clear whether early publication and public access to each stage of the development of the NECP is mandatory. Reference is made in the preamble — but not in the Articles of the Regulation — to the Aarhus Convention but the Committee regards this as inadequate. The Regulation should make it clear that it is mandatory for Member States to publish draft NECPs at the earliest possible stage and that all subsequent iterations of the evolving plan, including comments and responses from the Commission, regional partners and Member States, will be in the public domain.

4.3.4. Given the vital role of the transition to renewable energy greater clarity is required on the nature and functioning of the ‘financing platform’ (Article 27) and how a financial value will be put on any shortfall in the provision of renewable energy. For example, is it envisaged that such a platform will leverage private sector money based on Member States ‘contributions’? It is suggested that resources accumulated in such a platform could be applied to energy efficiency measures as well as the provision of renewable energy.

4.3.5. There remains some uncertainty as to how the recommendations from the Commission, subsequent to the annual reporting process, will be enforced if not promptly acted on by Member States. If this will be through the usual infringement procedure then surely this will be far too slow to be effective within the timeframe?

4.4. We fully support the provisions for mandatory regional cooperation between Member States in improving the effectiveness and efficiency of measures and in fostering market integration and energy security. However we suggest that the term ‘regional’ needs to be covered in Article 2, Definitions, to enable the Commission to suggest and enforce engagement where it is not taking place. At present there is the possibility that ‘regional’ is understood as intra-state rather than inter-state or that a ‘region’ is defined geographically as opposed to a grouping of states with complementary energy resources.
4.5. In particular we are extremely disappointed to note that Article 10 on Public Consultation is non-specific and inadequate and falls far short of the EESC proposal for a far-reaching European Energy Dialogue (EED) — something that would reach citizens/consumer directly and consistently and offer grassroots education and engagement in what, in many Member States will be a difficult package to sell. Such a dialogue is too important to be dealt with, if at all, under the heading of ‘non-legislative measures’ and should be given substance through an additional clause to Article 10. This article also fails to meet the standards of the Strategic Environmental Assessment Directive which sets the standards for transparent and participative environmental governance of which energy and climate planning are a critical part.

4.6. Therefore, we reiterate that it is the view of the EESC that the governance process as set out in this Regulation will not be capable of delivering NDCs without the involvement and support of civil society across Europe. To win the trust and engagement of citizens such a dialogue should be independent of government and the NECP process. It should offer a focus for informing consumers, help energy suppliers to engage and build trust and provide a channel for the many concerns of different groups about energy security, affordability and sustainability. The EESC has stated its willingness to play a part in this process which it has termed the EED by arranging and participating in some aspects of organised national consultations. However, the scope of such a dialogue needs to draw on wider resources and extensive national commitment. In summary, the following steps would be necessary:

— A mechanism will be put in place for establishing an independent and non-biased funding pool drawn primarily from stakeholders throughout the energy production and supply chain, supplemented by appropriate EU and MS government support. Overall the EED will be a highly cost effective way of engaging consumers of all types in energy modulation and recognising and stimulating the contribution of prosumers.

— In parallel with the guidance on the structure of the national plans, the EED, in consultation with the Commission and all key stakeholders, will develop guidelines on establishing national energy dialogues.

— A fully independent coordinating EED structure will be established to encourage action and implementation in each MS. This structure should contribute, inter alia, to the necessary review by the Commission of the content and ambition of national plans as well as their implementation. This will emphasise the contribution that stakeholders can make to policy formation and fulfil the requirement for effective consultation contained in the Regulation.

— National plan debate and regional discussions with neighbouring national EED groups will take place. EU level discussions between all energy dialogue groups will follow. These discussions, channelled through the independent coordinating structure, should have advisory status with EU institutions and enhance the cost-effectiveness of the policies of the EU and MS.

4.7. The EESC suggests that a dedicated European Energy Information Unit is established within the EEA to take responsibility for the data assembly and evaluation processes involved with the governance regulation. It should work in close conjunction with the proposed Energy Poverty Observatory and provide information services to the European Energy Dialogue at national level.

4.8. Energy security is one of the five main reporting and assessment areas in the Regulation and this area, in particular, will require extensive regional dialogue. The Committee has already noted that the EU needs clear and shared energy diplomacy and policy towards third countries (5). Energy security and solidarity is indicated by the Commission as the first pillar of a common Energy Union, but without strong agreements and partnerships with the major world players and without a common energy policy no such result can be achieved.

4.9. The EESC is concerned about the impact of Brexit on the governance process. Firstly, the process envisaged by the Regulation currently assumes UK membership and NDCs will be assessed on this basis. Final NECPs will be determined before the UK formally leaves the EU but at this point major adjustments may need to take place to allow for the withdrawal of the UK’s NDCs from the overall EU contribution. We suggest that the Commission develops a Brexit scenario alongside the ‘28’ scenario and that both scenarios are discussed in parallel. Secondly, the withdrawal of the UK could have a major impact on the political balance and diplomatic strategy relevant to each of the five categories of the Regulation’s scope — in particular to energy security.


The President
of the European Economic and Social Committee
George DASSIS
1. Conclusions and recommendations

1.1. Europeans need to be proactive in promoting energy efficiency, to take the initiative and cooperate on joint projects, and to fight for the removal of economic, administrative and regulatory barriers. The common goal is to implement the post-COP21 targets which will offer a number of advantages: new job-rich investments (renovation of buildings, improved comfort levels and smart, fair metering), less energy poverty, less pollution and better public health, and less dependency on imported energy. A firm commitment is needed from the Member States regarding the implementation of the Energy Efficiency Directive, given that the new targets proposed for 2030 are more ambitious than the 2020 targets.

1.2. Energy efficiency is extremely important for the future of the European energy system. Improving energy efficiency in all areas in which energy is used can prove to be a significant means of reducing costs for the European economy and the principle of 'energy efficiency first' can help improve financial accessibility. This principle will lead to the need to reduce the demand for costly replacement infrastructure. Energy saving requirements are compatible with sustainable development (a sustainable, secure situation), and synergies must be harnessed for an efficient transition to a resilient, low-carbon smart system (supraregional distribution systems, demand management and storage systems).

1.3. The EESC notes the Commission proposal to establish a 30% binding energy efficiency target for 2030, but considers that any increase in the 27% target would need to be justified by demonstrating both the economic benefits and the level of investment needed to reach these targets. It is imperative that the impact assessment take account of all the measures addressed by the energy and climate packages.

1.4. With a view to removing the main barriers to the implementation of Article 7 of the Energy Efficiency Directive (EED), the EESC calls for final-consumer awareness to be stepped up by promoting and providing information about energy efficiency schemes and alternative measures. Additional investments are needed and each Member State will need to invest in credible information, communication, education and assistance measures encouraging individuals and businesses, in order to meet the policy objective for climate change and energy efficiency more swiftly.

1.5. The EESC asks the Member States to pay closer attention to subsidised housing and households suffering from energy poverty, which should be guaranteed permanently cheaper energy. One key objective is to make all residential buildings more efficient and to establish minimum standards (energy audits) for rented housing.
1.6. The EESC draws attention to the major objective of educating final consumers on techniques for combined production of heat and power (cogeneration, air conditioning), smart meters and renovation plans. This is key to ensuring that investors, public authorities and businesses have the confidence needed to carry out projects with significant efficiency potential and to invest in R & D.

1.7. The EESC hopes that the measures establishing European financial instruments (loans, guarantees, equity to leverage funding, grants) will also leverage private funds for energy projects. Grants for projects with a strong social impact must not be overlooked. These financial schemes must be approved for projects also focusing on consumers on a limited income. The EESC calls for the development of guidelines on transparency and comparability for the national plans. The EESC considers that priority must be given to supporting households suffering from energy poverty, thereby ensuring that Member States will have a long-term stable policy framework for local sustainable development.

1.8. The EESC considers that this can be done by providing technical support for the implementation of the EED by means of innovative, market-based financing schemes. One quantitative element accorded considerable importance when approving financial incentives is the energy audit (definition of SMEs, no double certification, uniform approach towards the de minimis threshold), a tool for boosting energy efficiency and an asset for competitiveness. National training programmes for energy efficiency service providers and a proper approach to quality assurance are also needed.

1.9. In order to increase energy efficiency for consumers, the EESC recommends that cost-benefit analyses be performed at national level, which will lead to cost savings.

1.10. The EESC calls for a comprehensive approach and a more energy efficient transport system which is based on ongoing technological developments in vehicles and propulsion systems, the shift to energy efficient transport modes, and intelligent transport systems (ITS) which will increase the uptake of available capacity. This consideration must also be taken into account in aviation and maritime transport. Users must be informed about fuel consumption for each mode of transport, including the relevant limits on CO\textsubscript{2} emissions.

2. General comments

2.1. The EESC agrees that energy efficiency first is a key element of the Energy Union, and this principle will be put into practice by the proposal for an amendment. The cheapest energy, the cleanest energy, the most secure energy is the energy that is not used at all. Energy efficiency is one of the most cost effective ways to support the transition to a low carbon economy and to create growth, employment and investment opportunities.

2.2. While the energy efficiency target for 2020 is 20 %, a number of targets have been analysed for 2030 (between 27 % and 40 %). The most ambitious is the European Parliament resolution calling for a binding 40 % target. After analysing the benefits in terms of jobs and economic growth, security of supply, greenhouse gas emission reductions, health and the environment, the Commission has proposed a binding energy efficiency target of 30 %. Against the backdrop of this rise, the EESC considers that it is very important to carefully analyse the impact of the energy efficiency targets on the other targets set by legislative proposals on energy and, particularly, on the EU-ETS (the EU emissions trading system).

2.3. In order to meet these galvanising objectives, the Member States (supported by their respective economic and social councils) and energy suppliers and distributors will have to make energy savings of 1.5 % annually (a key policy). The EESC endorses the proposal to extend the energy saving requirement beyond 2020, retaining the annual rate of 1.5 %, through obligation schemes and flexible alternative measures at Member State level for implementing savings requirements.
2.4. The new approach, supported by the EESC, will give Member States and investors the long-term perspective needed to plan their investment strategies and plans with a view to reaching the EU objective. It will do so by implementing the appropriate policies at national and regional level to deliver important benefits by 2030, such as a 17% drop in final energy consumption (compared to 2005), economic growth reflected in a 0.4% increase in GDP, lower electricity prices for households and industry (from EUR/MWh 161 to 157), new business opportunities creating appropriate (suitable) jobs, pollution and health-damage control (a drop of EUR 4.5-8.3 billion) and improved energy security (reducing gas imports by 12% in 2030).

2.5. In the EESC’s view, it is paramount to keep the main energy market players informed, provide households and industrial consumers with pertinent, clear and concise information on their own consumption, and strengthen their rights in metering (remote reading) and billing, including for thermal energy. Vulnerable consumers must not be overlooked: with the decrease in the cost of energy bills, they should see an increase in their comfort and living standards.

2.6. However, the protection of vulnerable consumers also demands that the Directive should not impose individual metering in countries where by law the landlords must cover the tenant's energy costs, especially as these rental laws create a major energy efficiency renovation incentive for landlords. Also it should be stressed the fact that, in some Member States, many individual meters that have only recently been installed in compliance with existing EU law, have useful lifespans going well beyond the Commission's 2027 deadline for replacement by remotely readable devices. The replacement of these meters may be considered an unnecessary extra cost by EU consumers and should be therefore avoided.

2.7. The EESC considers that it is crucial to strengthen the social aspects of energy efficiency and combat energy poverty, particularly among vulnerable consumers. The EU Member States must pay closer attention to social measures. The directive's implementation is crucial for wellbeing.

2.8. We must not forget the link between the objectives for energy efficiency and climate change: they both seek to reduce greenhouse gas emissions. This requirement leads to policies stepping up the level and speed of new technology uptake. These new technologies will generate energy savings in transport, industry, households and buildings. Ultimately, they will be a cost-efficient way for the Member States to meet national targets under the EU emissions trading system (ETS and ESD), in accordance with Article 7 of the directive (real energy savings, practical energy efficiency measures).

2.9. As regards current legislation on energy efficiency, the European Parliament found that: the Energy Efficiency Directive has been inadequately implemented but provides a framework for delivering energy savings; competing legal provisions slow down environmental progress, create red tape and increase energy costs; energy legislation needs to be more coherent; more energy efficiency will result in more jobs and growth.

2.10. Against this backdrop, the EESC believes that the new legislative proposal on energy efficiency will take into account the current opinion and the measures proposed by the European Parliament.

3. Specific comments

3.1. Legal basis, subsidiarity and proportionality

3.1.1. Article 194(2) of the Treaty on the Functioning of the European Union, supported by Directive 2012/27/EU, is the legal basis for energy matters. Therefore, a directive amending an existing directive is an appropriate instrument.

3.1.2. The EESC considers that to date, energy efficiency targets have not been achieved, partly because the Member States have acted independently. Coordinated action at EU level is needed to support measures at Member-State level. Energy problems lead to political issues, economic issues (the internal market, development, investment, regulation), social
issues (energy consumption, tariff issues, poverty, jobs) and energy security problems. Problems related to climate change must not be overlooked.

3.1.3. The EESC underscores the importance of upholding the subsidiarity principle and maintaining flexibility in the energy and energy policy mix in order to guarantee delivery by 2030 of the savings which the Member States voluntarily pledged to achieve.

3.2. Implementation, monitoring, evaluation and reporting

3.2.1. Various levels of reduction of primary energy compared to a 2007 baseline were assessed and, for the formulation of the target, primary and final energy consumption were analysed supposing first energy saving and then energy intensity. The findings of the consultation showed that most stakeholders were in favour of a 30% target for 2030.

3.2.2. The following preferred options emerged from the analysis:

— for Article 7 on the energy saving requirement, option 3 was chosen (extend this article to 2030, simplify and update);

— for Articles 9-11 on metering and billing energy consumption, option 2 was chosen (clarification and updating, including consolidation of certain provisions to increase coherence with internal energy market legislation).

3.2.3. One key conclusion concerns the social impact: for every EUR 1.2 million spent on energy efficiency, approximately 23 jobs are directly supported.

3.2.4. The reduction in fuel bills brought about by the energy efficiency measures for the energy poor is considered to be a positive impact, which could help solve some of the problems associated with social exclusion.

3.2.5. The EESC considers that the proposal to amend the directive will have a positive impact on SMEs, through specific measures and support programmes (schemes to cover the cost of energy audits) and encouragement to perform energy audits. The renovation of buildings will provide small construction firms with business opportunities, as will extending Article 7 from the current deadline to 2030. Performance contracts with energy suppliers will be another incentive for energy services companies, which are often SMEs.

3.2.6. At the same time, the EESC considers that the measures on metering and billing of energy consumption will lead to clarification and updating in line with technological developments in devices for remote metering of thermal consumption (heating, air conditioning). Information on energy consumption will also be accurate, individual and frequent, in accordance with national energy policies.

3.2.7. As regards the budgetary or administrative implications for Member-State public authorities, the proposal extends the period of implementation but does not involve additional costs, as the Member States already have suitable measures and structures in place. The costs associated with the energy efficiency obligation schemes will be passed on to the final customers. The advantage for the final customers will be lower energy bills as their own consumption drops. The proposal does not have any implications for the EU budget.

3.2.8. The new energy governance will lead to a flexible and transparent system for analysis, planning, reporting and monitoring, which complies with national energy and climate change plans. The implementation of national plans for meeting energy efficiency targets and the delivery of the overall EU target will be monitored. This will be done by monitoring indicators of success geared to the preferred option: correct transposition and implementation; increased progress towards implementation; more information available to consumers; reduced administrative burden and good reporting on the savings achieved.
3.3. **Comments on the specific provisions of the proposal amending the directive**

3.3.1. The indicative 27% target has been replaced by a binding EU target of 30%. Each Member State must set a national energy efficiency target for 2020 based on final and initial energy consumption. The Commission will evaluate progress, analysing all the targets which have been communicated, in order to determine whether the EU target has been met. The Commission can propose appropriate measures if the EU is not on track to meet the targets. The evaluation process will be described in detail under Energy Union Governance.

3.3.2. The Member States are required to establish long-term strategies for mobilising investment in the renovation of their national building stock. The directive will transfer this point from the EED (Energy Efficiency Directive) to the EPBD (Energy Performance of Buildings Directive). The EESC considers that the EPBD is a very important tool for reaching the targets set, as buildings are the largest energy consumer in Europe (over 40% of all final energy).

3.3.3. The EESC defines the concept of cogeneration as the simultaneous production, using the same facility (steam turbine-powered generator, internal combustion-powered generator, etc.), of electric and thermal energy (in the form of hot water, steam or a cooling agent). Highly efficient cogeneration presupposes that generation will yield primary energy savings of at least 10% compared to the reference values for separate generation of electric and thermal energy. Unlike traditional, condensation-based electric plants, where only 33% of the primary energy is converted into electricity, highly efficient cogeneration plants combine the two processes (simultaneous generation of electric and thermal energy) and so convert up to 90% of the primary energy.

3.3.4. Cogeneration has significant benefits: energy efficiency, flexibility regarding the choice of fuel, easy operation and maintenance, safety, comfort for customers, low costs over the life cycle, lower capital requirements, and flexibility when planning the system.

3.3.5. In addition to obtaining energy from appropriate (low-carbon) sources and optimising energy consumption, electricity storage can be a solution for companies which either generate renewable energy and want to optimise their consumption based on their needs, or which want to reduce their costs by cutting electricity consumption during peak periods and using cheaper electricity from non-peak hours.

3.3.6. The EESC supports the Commission’s approach to Article 7, which has been amended to extend the energy savings requirement beyond 2030 by keeping 1.5% as the annual savings target. Progress towards implementing the measures will be evaluated in 2027 and thereafter at 10-year intervals, until the EU’s long-term energy and climate targets for 2050 are deemed to have been met.

3.3.7. The EESC welcomes the amendment to the articles on metering and billing, clarifying issues related to heating, cooling and domestic hot water from central sources. However, individual meters must not be imposed by EU law in countries where the landlord is legally required to pay the tenant’s energy costs (gross rent, under state-supervised rent negotiation between tenants’ and landlords’ organisations). As regards metering gas consumption, the final consumer must be provided with an individual meter which indicates consumption clearly.

3.3.8. Information on gas consumption will be based on actual consumption through a self-check system on the meter. There will be a requirement for data on consumption and billing to be available to energy service suppliers. The bill (in electronic format) will need to be clear and understandable for the consumer. Given the improvements proposed, the EESC hopes that the Member States will become more involved in finding socially and economically appropriate solutions to the costs of metering (who pays for the meter?). This issue is crucial for guaranteeing a fair, appropriate approach to defining a level playing field for access to energy.
3.3.9. The energy industry has been calling for some time for the revision of the primary energy factor (PEF), which is based on final energy consumption for savings expressed in kWh in the Member States. The methodology and new factor are a significant improvement. The EESC supports the PEF of 2.0, which gives the Member States latitude to apply a different coefficient, provided that such a move is duly justified. The energy industry is concerned about the unfavourable method of calculating nuclear energy, for which a factor of 1 (100 % conversion), similar to the factor applied to the other carbon-free sources, is considered appropriate.


The President
of the European Economic and Social Committee
Georges DASSIS

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Rapporteur: Baiba MILTOVIČA

Co-rapporteur: Isabel CAÑO AGUILAR

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1. Conclusions and recommendations

1.1. This proposed Directive refines and extends previous legislative action for greater energy efficiency in buildings. Its effectiveness will be judged by its role in contributing to the main objectives of the Energy Union but because it concentrates on the built environment its contribution to social and economic objectives (particularly the reduction of energy poverty, preserving housing affordability and the potential to reduce energy costs) must also be seen as essential.

1.2. The EESC prioritises the need for the Directive to contain more specific proposals to tackle the challenge of energy poverty. This should include clearer advice on the required content of national definitions of energy poverty, the provision of a reference definition against which to assess the comprehensiveness of national plan approaches and the delivery of advice and coordination of measures through the agency of an independent, consumer-focused 'one-stop-shop' or agency.

1.3. The EESC believes that Member States, in their own national plans, will need to aim for the higher ambitions outlined in the alternative Policy Option III (as presented in the European Commission’s accompanying Impact Analysis) whilst staying within the legislative approach of Policy Option II — the basis of the revisions presented in the Directive. This will be necessary to create a long-term trajectory capable of meeting the Paris Agreement aspirational goal.

1.4. It is recommended that national building renovation strategies should be supported by this Directive through a requirement to propose specific sectoral targets and a reference methodology for measuring improvements. Minimum energy efficiency performance levels in the renovation of public and commercial buildings should also be specified in firm guidelines.
1.5. The Directive has not taken the opportunity to encourage ‘green’ mortgages, renewable energy-linked district heating schemes, measures for residential and commercial energy storage, improved training schemes for installers and renovators and other technical, financial and fiscal measures which would support better energy efficiency in buildings. Although such measures are supported elsewhere, the low-key approach in this Directive can only be justified if it encourages flexibility and ambitious action. The EESC urges the Commission to keep the implementation and effectiveness of the Directive under close review and be prepared to act promptly in the use of the mechanism of upgrade and revision within the proposed Governance Regulation.

1.6. Additional steps should be taken to encourage the comparability of calculation methods for energy performance certificates (EPCs) across Member States, which in turn would make the comparison of EPCs more feasible.

1.7. Further ways to incentivise private and non-municipal social landlords to invest in the renovation of older property should be proposed.

1.8. The non-specific proposal for a ‘smartness indicator’ must include the capacity of a building's occupants not only to assess energy efficiency but also to control and facilitate their own renewable energy production and consumption and cut energy bills.

1.9. The EESC particularly urges recognition of the capacity of local authorities to stimulate and coordinate energy efficiency programmes and notes the growing potential of the Covenant of Mayors in this respect.

1.10. The EESC emphasises the need to encourage building construction and renovation, a sector where SMEs provide 83% of all employment (OECD: Small Businesses, Job Creation and Growth).

1.11. The EESC notes that, without innovation, it will be impossible to increase the energy performance of buildings. The EU is losing leadership in related low-carbon energy technologies and represents today less than 15% of jobs in the sector. An effort must be made in training to adapt the skills required for these highly specialised sectors.

1.12. The ‘Smart Finance for Smart Buildings’ initiative — and its scope to link with the ambitions of the Juncker Plan — is a positive step welcomed by the Committee.

2. Introduction

2.1. The Directive is part of the ‘Clean energy for all Europeans’ package, designed to give substance to the Energy Union and to increase an awareness and understanding that the clean energy transition is the growth sector of the future. Energy in buildings accounts for 40% of the total used across the EU. Significant advances continue to be made in building energy efficiency, in both new build and retrofitting. In part this has been stimulated by 15 years of legislative intervention at EU level, yet considerable opportunities to improve efficiency and provide other beneficial social impacts still remain.

2.2. Despite technical advances, relevant supporting data and the use of available public funding via financial instruments, there has been no significant increase in the rate of existing building stock improvements — 75% of buildings in the EU remain energy inefficient.

2.3. Global climate impacts and the drive to consolidate European energy policy have added urgency but some fundamental and complex issues remain unresolved, and further progress might have been expected. Without such action, the 2030 and 2050 climate and energy targets will be very difficult to meet. The potential exists for buildings to reduce energy consumption by 5% to 6% and lower CO₂ emissions by about 5%. However, with only 0,4%-1,2% of the building stock being renovated/improved annually it is clear that the processes need accelerating.
2.4. This Directive amends the earlier 2010 Directive on the same subject, itself a recast of the 2002 Directive. The recast in 2010 provided very substantial amendments to the 2002 text. In particular it recognised the increasing importance of the role of energy efficiency in the built environment and in contributing to policy objectives, took into account advances in technical understanding, making adjustments in the light of eight years of practical experience, and emphasised the vital need to regularise and improve the approach to the issues by Member States.

2.5. The present proposed revision, though considerably shorter than the earlier Directive, takes the same approach. In particular, it provides for integrating long term building renovation strategies, the use of smart technology in buildings and streamlines the existing rules. It follows an extensive evaluation of the 2010 Directive and a detailed impact assessment of possible courses of further action. The high-impact option, Policy Option III, was, primarily on the grounds of short-term cost, subsidiarity impacts and political realism, rejected in favour of a lower level of potential achievement — Policy Option II.

2.6. However, all stakeholders wish to achieve ambitious improvements. The sector provides 18 million direct jobs and contributes to about 9% of the EU’s GDP; the challenge is to balance affordability and the demands of the residential and commercial markets with social and climate objectives.

3. Gist of the Commission proposal

3.1. The Directive consists of a series of amendments which strengthen the current provisions of Directive 2010/31/EU and which simplify certain aspects. The main points are:

— The definition of ‘technical building systems’ is extended to include aspects of smart-building technology and provision for electro-mobility.


— Member States are required to set out a roadmap with clear milestones and measures to deliver on the long-term 2050 goal to decarbonise their national building stock, with specific milestones for 2030. This shall also contribute to the alleviation of energy poverty.

— Investment is encouraged by provision for Member States aggregating and ‘de-risking’ projects and enabling public funding to leverage private sector finance and deal with those areas of concern which are not addressed by the market.

— Member States may set requirements to ensure that non-residential buildings are equipped with building automation and control systems.

— Member States may set requirements to ensure that residential buildings with centralised technical building systems are equipped with continuous electronic monitoring and with effective control functionalities to ensure optimum generation, distribution and use of energy.

— Member States shall lay down the necessary measures to establish a regular inspection of the accessible parts of air-conditioning systems for non-residential buildings and residential buildings with a centralised technical building system.

— Provision for Member States to provide information to the owners or tenants of buildings on energy performance certificates, their purpose and objectives, on cost-effective ways to improve the energy performance of the building.

— Provisions are made to ensure that the installation of recharging points (or infrastructure cabling) for electric vehicles is obligatory for a large fraction of new buildings and some existing stock undergoing renovation.
— Changes in the technical building systems shall be recorded, assessed and made available.

— The development of a ‘smartness indicator’ is proposed to supplement existing building efficiency information.

— A specific link is made between available financial measures for building renovation and the degree of energy efficiency obtained.

4. General and specific comments

4.1. The EESC welcomes the continuing focus on the energy efficiency of buildings but is particularly concerned that energy poverty, identified by the Committee in its previous Opinions (1) and widely recognised as a major issue of social concern, is inadequately addressed.

4.2. A broader and more ambitious approach is needed. The emission reduction and energy efficiency targets already set by the EU and the entry into force of the high-aspiration Paris Agreement in October 2016 demand stronger action, especially as the history of insufficient compliance with previous proposals indicate that buildings remain a challenging area.

4.3. The Committee has some reservations about the choice of Policy Option II (as set out in the Impact Assessment) as the basis for bringing forward this amending legislation. Although Policy Option III implies a level of mandatory action substantially exceeding cost optimality — a position with which the EESC cannot agree — it is clear that the significantly greater ambition of Policy Option III — with 2-3 times greater impact on climate, efficiency and social objectives — is likely to be necessary to create a long-term trajectory capable of meeting the Paris Agreement aspirational goal. Consequently, Member States, in their own national plans, will need to aim for the higher ambitions outlined in the alternative Policy Option III (as presented in the European Commission’s accompanying Impact Analysis) whilst staying within the legislative approach of Policy Option II.

4.4. Recent analysis of Member States’ building renovation strategies is generally positive (JRC 2016: Synthesis Report on the assessment of Member States’ building renovation strategies). This area is covered under the Energy Efficiency Directive; however, at present there is no common standard for what constitutes ‘renovation’. The inclusion in the EPBD of a requirement to propose specific sectoral targets and a reference methodology for measuring improvement with a threshold qualifying level which triggers ‘renovation’ support would be valuable. In conjunction with such targets there should be specified firm guidelines for attaining minimum energy efficiency performance levels in the renovation of public and commercial buildings.

4.5. The Directive extends the requirements for a national database in relation to energy performance certificates and an EU-level, publicly available database containing anonymised national data on national renovation strategies would be helpful and could be linked with the e-reporting platform proposed in the Governance of the Energy Union Regulation. Linked with this there should be categoric guidance in the Directive on the comparison of calculation methods, which in turn would make the comparability of EPCs more feasible.

4.6. Although there is no reason why national plans should not cover this area there are no proposals in the Directive for further ways to incentivise private and non-municipal social landlords to invest in renovation of older property. Where tenants pay energy bills directly landlords often see no commercial value for themselves in improving building efficiency. The residential rented sector in some countries comprises a considerable proportion of the housing stock. The energy performance of buildings has a major impact on the affordability of housing and energy poverty, therefore the availability of financial instruments supporting renovation is essential. Mostly municipalities, landlord associations and owners are entitled to get a loan for complex apartment house efficiency improvements. Nevertheless, prohibitive financing and contract conditions and access to credit create obstacles for many.

4.7. The encouragement of ‘green’ mortgages is a measure that should find support within the Directive. It is also important to facilitate the grouping of small-scale best-practice renovation and efficiency programmes into larger frameworks, enabling finance packages to be applied.

4.8. In the 2016 Heating and Cooling Strategy (COM(2016) 51 final), particular attention was given to the gains to be made through the renovation and replacement of district heating schemes in conjunction with renewable energy. District heating and city solutions are generally regarded as an infrastructure component of the building system and therefore require specific encouragement to reflect this in urban planning by a clear position statement in this Directive.

4.9. It should be noted that the climate and energy targets are linked with low-carbon energy (LCE) technologies and more sustainable buildings that need to meet energy efficiency goals. These increasingly rely on key enabling technologies in advanced materials (non-ferrous metals, steel, glass, plastics, etc.) and without innovation it will be impossible to increase the energy performance of buildings. About 5% of advanced materials produced today are used in low-carbon energy technologies and more sustainable buildings and these markets are developing fast.

4.10. As such, the EU is losing leadership in LCE technologies and represents today less than 15% of jobs in the sector (around 1.1 million direct and indirect jobs). In the field of advanced materials needed for these technologies the EU is also facing growing global competition and without appropriate technology push and market pull policies, innovation and manufacturing will continue leaving the EU. Nor should one forget training in the new skills required for these highly specialised sectors.

4.11. The EESC supports the emergence of electro-mobility for the broader decarbonisation of the economy but questions the need for such a great level of detail and the impact of such measures on housing and business affordability and on public authorities’ freedom of choice in achieving electro-mobility. Another important and complementary area—energy storage—though mentioned in the explanatory memorandum, is not developed in the Directive, even though it is likely to be a rapidly developing and affordable technology.

4.12. Similarly, the growth that is apparent in decentralised renewable energy production creates opportunities to integrate with efficiency measures for off-the-gas-grid buildings and a move towards renewables in heating and cooling. This should be specifically promoted.

4.13. The amendments relating to improving the commitment to smart buildings (public, commercial and residential) are relatively modest and should be more specific and extensive.

4.14. The proposal for a ‘smartness indicator’ to measure a building’s capacity to use ICT and electronic systems to optimise operation and its interaction with the grid will require further expansion but the principle is welcomed. The objective should be to develop a transparent, meaningful indicator adding value to the EPC but without imposing undue data collection or analytical burdens. Such an indicator must indicate the capacity of a building’s occupants not only to assess energy efficiency but also to control and facilitate their own renewable energy production and consumption and cut energy bills.

4.15. Energy poverty is identified as an issue which should be addressed through providing milestones identifying progress on decarbonising the building stock. However, there is no supporting policy framework in the Directive for developing a cost-effective approach to energy poverty itself—one of the contributing causes of which is energy-inefficient residential buildings. The EESC believes this could lie within the competence of this Directive and suggests the inclusion of a proposed new set of amendments on this topic, relating to relevant articles of the 2012 Directive. This would support the requirements in the proposed Governance of the Energy Union Regulation for Member States to assess and specify policy, measures and actions to deal with energy poverty.
4.16. Therefore, the EESC recommends that the Directive should offer criteria for inclusion in a reference definition for energy poverty and also suggest its own reference definition. This would not be binding for Member States to adopt for internal purposes, but would illustrate criteria against which National Energy and Climate Plans would be required to report. Such a definition has enabled some countries to assess progress — or otherwise — in tackling energy poverty, but the EESC recognises that the multifactorial nature of the problem may require prioritising specific national factors.

4.17. Consequently the EESC urges Member States to adopt a fully coordinated approach to energy poverty including an understanding of the role and effectiveness played not only by energy efficient buildings but also financial interventions (including social tariffs and poverty mitigation methods), consumer advice on supplier and tariff choice and information on simple energy saving actions. To maximise efficiency and effectiveness, it is vital both that advice be delivered, and measures coordinated, through the agency of an independent, consumer-focused 'one-stop-shop' or agency.

4.18. Various independent studies and reports by the Commission have indicated the variable speed and effectiveness with which Member States are implementing the requirements of the EPBD Directive. Issues include:

— Problems of transposition and interpretation, which the Commission continues to pursue through enforcement mechanisms. Greater recognition of the centrality of building energy efficiency to energy and climate targets and commitment to national renovation strategies is required by several Member States. The EESC would encourage DG ENER to maintain its watchful oversight on implementation and continue to act rapidly in invoking infringement proceedings.

— The quality and comparability of energy performance certificates (EPCs). Specific harmonisation of EU requirements for qualified experts and certifiers and the inclusion of quality checks for EPCs would be helpful. The development of EPCs to provide further technical information and recommendations for improvement would also be welcome.

— The EESC notes that the Directive's method of linking financial incentives to EPCs allows only for a posteriori payment of the financial incentives, as payment depends on comparison of 'before' and 'after' EPCs. This is counter-productive in terms of energy efficiency, as renovations dependent on subsidies will not happen unless the owner is sure of receiving the subsidy before renovating.

— The use of European Structural and Investment Funds and specifically Cohesion Policy Funds. Under the European Regional Development Fund a minimum percentage of funding will be directed to the shift towards a low-carbon economy in all sectors yet the application of all these funds to building energy efficiency varies greatly between Member States. Clear interpretative guidance exists but further encouragement to use such funding is necessary.

— Support for relevant technical training in building renovation, particularly amongst SMEs which constitute over 90% of European construction enterprises.

4.19. The Committee notes that in the 2014-2020 programming period, the European Structural and Investment Funds (ESI Funds), and specifically Cohesion Policy Funds are expected to play a major role in relation to the refurbishment and construction of buildings. Currently, there are many barriers to overcome, mainly limited access to finance, high upfront costs, relatively long pay-back periods, higher perceived credit risk associated with sustainable energy investments, and competing priorities for property owners, etc. (European Commission: Technical guidance — Financing the energy renovation of buildings with Cohesion Policy funding). The Smart Finance for Smart Buildings initiative is a positive step in overcoming some of these problems and scope exists to draw on the ambitions of the Juncker Plan to unlock more investment in this area.
4.20. As such, establishing the right priorities and responsibilities for local government is key to ensuring that the use of available programme resources achieves maximum effect in order go beyond the minimum requirements (e.g. energy performance requirements, energy audits, etc.) set at MS level and the level of funding provided should increase with the level of ambition.

4.21. The EESC particularly notes the potential of the Covenant of Mayors in this respect. Now with more than 7 000 municipalities involved, the signatories commit to taking the necessary energy efficiency and renewable energy measures through the adoption of ‘Sustainable Energy Action Plans’ (SEAPs). The mobilisation of cities, which contain the majority of our built environment, is a local initiative with a global impact.

4.22. The intentions of the Directive have been broadly welcomed by the majority of stakeholders across the building industry sector and by owners’ and tenants’ representatives, whether commercial or residential. Nevertheless, a spirit of cooperation, dialogue and positive engagement will be needed to continue the progress in energy efficiency already delivered.


The President
of the European Economic and Social Committee
Georges DASSIS
Opinion of the European Economic and Social Committee on the proposal for a directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast)

(COM(2016) 767 final — 2016/0382(COD))

(2017/C 246/09)

Rapporteur: Lutz RIBBE

Co-rapporteur: Stefan BACK

Consultation

European Parliament, 1 March 2017
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Legal basis

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Section responsible

Transport, Energy, Infrastructure and the Information Society

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11 April 2017

Adopted at plenary

26 April 2017

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Outcome of vote

(108/against/abstentions)

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) welcomes the publication of the revised directive on the promotion of renewable energies. In conjunction with the other proposals in the 'winter package', the expansion of renewables has a key role to play in achieving the goals of the European Energy Union, the EU's climate change targets, and the goal of again becoming the world leader in renewable energies. By 2030, renewables should account for 27% of final energy consumption.

1.2. The target of 27% is of limited significance in achieving the climate change targets or in reducing import dependency. This target must be viewed in conjunction with other CO₂ reduction measures (e.g. improving efficiency), and could therefore in fact be adequate, particularly if governance-related legislation could actually get the Member States to take further measures if need be. Looking at the target in connection with the ambition of global leadership in renewable energies, and bearing in mind the Commission’s claim that, if the directive is not revised, the share of renewables in final energy consumption will reach 24.7% in 2030, it is legitimate to wonder whether the target is ambitious enough.

1.3. Despite the planning and monitoring arrangements under the proposed system for governance of the Energy Union, the EESC reiterates its regret at the absence of binding national targets.

1.4. The EESC supports as such the objective that renewables need to embrace the market. Permanent subsidies — be they for fossil, nuclear or renewable energy sources — are not an option, for a number of reasons.

1.5. However, the deployment of renewables on the electricity markets will not be successful unless a level playing field is created for all energy sources. The ongoing need for government support for renewables is to a large extent attributable to the high levels of subsidies provided to conventional electricity generation. It is therefore essential for the existing distortions against renewables to be abolished, for example through a combination of energy taxation and an emissions
trading system that covers all external costs (see the EESC’s opinion on revision of the Energy Performance of Buildings Directive — not yet published in the Official Journal). The EESC stresses that this can and must be achieved at the least possible additional cost to consumers and businesses.

1.6. The new energy policy should focus on the three Ds: decentralisation, digitalisation and democratisation. Renewables also require the implementation of a new market design that fits the decentralised structures of electricity generation from renewable sources.

1.7. The EESC supports the Commission’s proposed development of decentralised and smart market structures, but demands much more effective implementation of the Commission’s call for the consumer and citizen to be placed at the heart of European energy policy. The development of new smart market structures could unlock the ‘revolutionary’ potential presented, according to the Commission, by the energy transition in a way that maximises the social and regional benefits.

1.8. The EESC welcomes the recognition of ‘prosumers’ as important players in the new energy market, which marks a step toward energy democracy through the empowerment of large and small consumers and citizens. The opportunities offered to them in the proposal do represent a certain amount of progress compared with the current situation, but are by no means sufficient, e.g. with regard to an enforceable right to access and use the public grid/electricity networks. The proposal must therefore be seen as just the first step on the long road towards unlocking the real social, economic and regional potential of prosumer-oriented markets.

1.9. The EESC underscores the importance of rapid implementation of smart grids as a means to ensure stable and secure supply, sector coupling through integration of power-to-heat, power-to-gas and electric vehicles into the grid and also at micro level, and enabling smooth ‘peer-to-peer’ trading, which would allow prosumers to fully participate in the electricity market on an equal footing.

1.10. Digitalisation could potentially enable prosumers to participate not only in generating electricity from renewable sources, but also in trading it. The EESC therefore highly recommends establishing a positive right in this respect.

1.11. Although the regional economic potential of renewables, including bioenergy (e.g. alternative fuels) is mentioned in the recitals, it is not taken into account in the legislative text itself. There is a lack of a corresponding strategy connecting renewables and regional economic development. The text also fails to acknowledge the key importance of cities, municipalities and regions, and of SMEs, as drivers of the transition to renewable energy.

1.12. The link that can now be made between the new energy policy and regional development is not only important for the regional economy. The involvement of local stakeholders in decentralised energy projects is also important in increasing public support: whether a wind farm is owned by an international private equity fund or by local stakeholders may make no difference to climate protection or energy security, but it is crucial for public acceptance of the wind farm.

1.13. Energy poverty is a social problem that must be addressed through social policy. Still, the EESC draws attention to the as yet untapped potential of combining heat and electricity production from renewable sources, energy saving, load displacement and ‘prosumerism’ as a way of addressing this problem. This will require finding appropriate solutions for financing the initial investment, e.g. through social funds or investment facilities, and overcoming barriers to capital access through a systematic political approach. Every European citizen and consumer should be enabled to become a prosumer.
1.14. The title of the proposal for a directive refers to the ‘promotion’ of renewables, but the text itself does not include any specific support instruments. Clear rules in this respect are essential in order to guarantee investment certainty, and there therefore needs to be a dedicated, clear and precise support scheme for energy communities and prosumers. The EESC therefore calls for the current State aid implementation rules to be updated with a view to establishing maximum legal certainty to attract investment.

1.15. The EESC welcomes the objective of promoting sustainable bioenergy and alternative fuels, but regrets that some of the provisions in the proposal on this point are too inflexible to allow for adaptation to local circumstances regarding use of raw materials and residues. In phasing out non-sustainable biofuels, care must be taken to avoid creating sunk assets.

2. General comments on the promotion of renewable energy

2.1. In the EESC’s view, there are four key benefits that renewables can bring for the European Union. The Commission only really addresses two of them in its proposal for a directive, and even these are in parts too vague.

(a) Climate change mitigation

2.2. Renewables play a decisive role in achieving the objective of more or less completely decarbonising the European energy system. However, this requires two conditions to be met:

— Significant progress needs to be made in terms of energy efficiency (see the EESC’s opinion on Revision of the Energy Efficiency Directive).

— Transport and the heating and cooling sector play a major role in reducing GHG emissions. Using electricity that is 100% from renewable sources will play an important part in transforming the heating and mobility sectors to be more sustainable. Proposals regarding the connection to the grid of electric vehicles, the regulation of power-to-heat and power-to-gas and development of smart grids are important here (1).

(b) Security of supply

2.3. Renewables will make an indispensable contribution to security of supply and reduce dependence on imported energy, provided that production, use and adjustment of demand are coordinated. However, this requires specific incentives. The EESC doubts that the support measures set out in the proposal and in the electricity market design proposals are sufficient. Further measures will most probably be needed due to the ‘zero marginal cost problem’ of renewable energies.

(c) Addressing energy poverty

2.4. The cost curve for renewables is on a steady downward trend; they are cheaper than ever, and are now so cost-effective that they could already make a significant contribution to mitigating the problem of energy poverty. Developing prosumerism is a very powerful option in this connection. For example, a study by the Joint Research Centre (JRC Scientific and Policy Reports — Cost Maps for Unsubsidised Photovoltaic Electricity) shows that, even back in 2014, self-generated solar electricity would have been cheaper than electricity from the grid for 80% of Europeans. However, the Commission has not yet developed an appropriate strategy to make use of this option (see TEN/598).

2.5. However, access to capital is particularly critical for lower-income groups, and appropriate support must be provided. This social aspect is not addressed either in this directive or in the entirety of the winter package, although it is pertinent to the Commission’s objective of putting citizens at the centre of energy policy, in line with Articles 17 and 21 of the proposal.

(1) OJ C 34, 2.2.2017, p. 151.
2.6. In this context, the EESC considers it expedient to examine all possible options for giving all citizens, as far as possible, the opportunity to get actively involved in the ‘energy economy’ as equal market participants. This also includes making funding from the European Fund for Strategic Investments (EFSI) or any other investment facility available specifically for small and micro-installations. If low-income consumers could access capital for decentralised renewable energy installations, it would enable them to become prosumers. Through net metering, as practised in some Member States, including Italy, Netherlands, Belgium (Wallonia), Poland and Slovenia, direct financial relief is possible which may reduce the problem of energy poverty.

(d) Regional added value

2.7. Renewable energies are by nature regional resources that are now potentially accessible to everyone, in terms of technology. This is particularly important in regions with poor infrastructure, where new opportunities for adding value need to be developed, and the Commission quite rightly mentions this benefit at several points in the recitals.

2.8. However, generating regional added value means consciously getting local and regional stakeholders strategically involved in economic processes and giving them the opportunity to help shape them and thus participate in economic developments. Positive side-effects include not only greater acceptance of the necessary infrastructure development, but also co-financing for it.

2.9. However, the EESC regrets the absence of a clear strategy for linking regional development and the deployment of renewable energies. The Member States should have developed such strategies following the adoption of the old Renewable Energy Directive, but did not do so.

3. General comments on the proposal for a directive

3.1. The EESC has consistently welcomed the Commission’s efforts to position the EU again as the global leader in renewable energies. Indeed, many of the proposals are going in the right direction (e.g. the predictability of support frameworks, including the exclusion of retroactive measures), but there is a risk that the following three fundamental shortcomings could continue to overshadow the development of renewables.

(a) The adequacy of support instruments

3.2. The proposed directive builds on the aims set by the October 2014 European Council and upgrades the former aim of 20% by 2020 to 27% of final energy consumption by 2030, i.e. less than one percentage point per year. Without a revision of the directive the EU would achieve approximately 24.7% by 2030, so the aim is to generate a further 2.3% increase.

3.3. This slow rate of growth, however, might mean that there would need to be an exponential rise in the share of renewables between 2030 and 2050 in order to achieve the goals of the Energy Roadmap 2050 (COM(2011) 885 final). The measures necessary to this end could entail additional costs. In any event, the development of renewables should be closely monitored, to allow corrective action to be taken as early and cheaply as possible.

3.4. The impact assessment accompanying the proposal (SWD(2016) 418 final) concludes that support measures will be needed at least up to 2030, under a stable legal framework. The EESC therefore takes the view that the proposal for a directive should also outline a very clear support framework that could be implemented swiftly and effectively. Unfortunately, no such framework has been provided.

3.5. The ‘implementation’ of support schemes is up to the Member States, which must act in accordance with the EU’s State aid rules. However, the current EU State aid rules set extremely narrow limits, and must be amended as a matter of urgency.
3.6. The current State aid rules have, among other things, resulted in previously effective support instruments such as priority feed-in and feed-in remuneration, which were particularly heavily used by small and new market participants, being drastically cut. New instruments such as calls for tender sometimes present almost insurmountable obstacles for prosumers, community energy and other market operators.

3.7. The promotional measures set out in the proposal are mainly related to market structure and some general provisions on the need for stable support measures compliant with State aid rules. This will not be enough on its own. The EESC considers it important to review (a) the General Block Exemption Regulation (Regulation (EC) No 800/2008); and (b) the current guidelines on State aid for environmental protection and energy 2014-2020 as a matter of urgency, in order to ensure compatibility with the aims of the proposal, in particular with respect to the needs of prosumers and SMEs.

3.8. For example, the derogation for small projects (paragraphs 125 and 127 of the guidelines on State aid for environmental protection and energy) needs to be increased, and the new values need to be enshrined in the Renewable Energy Directive to ensure absolute clarity.

3.9. The EESC doubts the efficiency of introducing quotas regarding the access to support schemes for installations in other Member States, in particular against the background of the goal to promote decentralised renewable energies and regional economic development.

(b) Market distortions hamper renewables

3.10. The message of the winter package as a whole could not be any clearer: the Commission’s philosophy is that renewables will need to embrace the market from now on, or as soon as possible. This approach is essentially to be welcomed, but will be problematic until two existing fundamental market distortions are corrected. First, there are still (a) direct national subsidies for fossil-fuel power plants; moreover, (b) the internalisation of external costs is still completely inadequate. Electricity generated by fossil-fuel power plants, and other forms of energy produced from fossil resources, therefore have a systematic advantage over renewable energy, which generates no — or only very marginal — external costs. The International Monetary Fund projects global subsidies for ‘dirty’ energy at USD 5.3 trillion per year; the figure for the EU is calculated to be USD 330 billion per year.

3.11. Although these market distortions against renewable energy have been well known for years, and despite promises to put a stop to these unequal conditions, very little has been done; this is the most serious weakness hampering renewables and it needs to be rectified.

3.12. Strangely enough, there has on the other hand recently been criticism of market distortions supposedly caused by support for renewable energies. This is inaccurate: the fact that support for renewable energies is still necessary is largely a consequence of the subsidisation of conventional energy generation. In other words, if the subsidies for energy generation in fossil-fuel power plants were ended, thus providing a genuine level playing field, much of the support provided for renewable energies would become unnecessary. The EESC reiterates its position that a level playing field needs be created, inter alia, using market-based instruments, to eliminate market distortions and stop disadvantaging renewables (see the EESC's opinion on revision of the Energy Performance of Buildings Directive).

(c) The current electricity market is unsuited to renewables

3.13. The old energy industry is characterised by a relatively small number of generating units, each with a high capacity. In contrast, an energy system shaped by renewable energies is more characterised by smaller, more decentralised capacities.
3.14. The EESC has already expressed its views on possible new concepts for organising electricity trading in decentralised systems, including the 'cellular approach' (2). They are based on the principle that small market participants should also be able to communicate directly with each other and trade in energy. It is therefore a question not only of improving production options, but also of taking part in trading.

3.15. Such peer-to-peer transactions would allow broad swaths of society to participate, not only in generation and self-consumption but also in the active management of smaller and regional-level energy units, thus opening up whole new opportunities for adding value. This also includes sector coupling, as in many cases heating and the energy used for mobility are local commodities produced and consumed in small units.

3.16. The EESC points out that, due to administrative barriers and a general lack of regulation, peer-to-peer transactions are currently impossible in many Member States. The proposal for a directive and the energy market design proposal aim to change this, but the EESC sees major weaknesses in both of them.

3.17. Opening up electricity markets to peer-to-peer transactions across the EU would help to unlock the enormous social and economic potential of renewables. By disregarding this point and thus ignoring very practical hurdles such as limits for energy trading, the Commission is wasting a great opportunity to put European citizens, small and large prosumers and SMEs in a much better position in the electricity market, enable larger entities to export 'energy solutions' to non-European markets and, in general, significantly improve society's acceptance of the energy transition.

4. Specific comments on the text of the directive

(a) No binding national targets

4.1. The Committee reiterates its criticism (3) that, unlike the 2009 directive, the new directive no longer lays down any binding national targets. It still has doubts as to whether the planned governance process can 'motivate' those Member States that are opposed to binding national targets to be more proactive. There is no provision in the proposal for a specific instrument that would intervene if the 27 % target was not met (see the EESC's opinion on Energy Union governance). The EESC on the other hand recognises the collective responsibility as set out in Article 3 of the proposal since, in accordance with the proposed Governance Regulation, financial sanctions are provided for if those targets are not collectively met in the national energy and climate plans. However, it remains unclear how this will be enforced.

(b) No strategy for regional development

4.2. In the EESC's view, the Commission has failed to recognise the importance of active participation by local and regional stakeholders, in terms both of public support for the policies instituted and of the impact on the regional economy. The forecast growth of e-mobility alone will open up huge new opportunities for the regional economy, provided the necessary development of generation and distribution infrastructure is consistently focused on decentralised operating models (4).

4.3. This would also further the goal of making the use of renewables as cheap as possible for taxpayers and consumers. However, this must be based not on electricity prices alone, but on an overall national and regional economic perspective. For example, the aspect of new regional jobs (see recital 49) should be taken into account. The Committee highlights the tendency of many Member States to date (a) to impose unnecessary and unjustified burdens on locally generated and consumed energy; and (b) to completely disregard regional aspects.

4.4. Moreover, Member States' regulations for the most part do not take account of grid and system costs. The EESC is convinced that decentralised solutions ultimately reduce grid and system costs, and in this connection endorses the point of view set out by the Commission in recital 52.

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(2) OJ C 82, 3.3.2016, p. 13 and OJ C 34, 2.2.2017, p. 78.
(4) OJ C 34, 2.2.2017, p. 78.
4.5. This recital was taken over from Directive 2009/28/EC, but did not result in the Member States developing corresponding specific regional strategies in recent years. The EESC has observed (Changing the future of energy — Civil society as a main player in renewable energy generation — EESC study on the role of civil society in the implementation of the EU Renewable Energy Directive) that the regulations and support programmes in many Member States make no mention of local and regional aspects, and that many national governments and administrations even cite European law to justify this. There is therefore a need for greater specificity in this respect. While creating the formal conditions for decentralisation and regional development, the proposal contains no obligation to implement a coherent strategy in this sense. Stating principles without sufficient legal support is not efficient legislation, in the opinion of the EESC.

4.6. In order to further clarify recital 49, the Commission should specify in the legislative text what is meant by ‘the Commission and the Member States should therefore support national and regional development measures … and promote the use of structural cohesion policy funding in this area’. The precise content of recital 50 remains equally vague, where the Directive reads as follows: ‘… it is necessary to take into account the positive impact on regional and local development opportunities, export prospects, social cohesion and employment opportunities, in particular as concerns SMEs and independent energy producers’. Finally, in recital 52 (‘… to allow for the development of decentralised renewable energy technologies under non-discriminatory conditions and without hampering the financing of infrastructure investments’), the EESC welcomes the appreciation of decentralised approaches but here too there is a need for further clarification.

c) Clearer rules for ‘prosumerism’ and consumer rights needed

4.7. It is a positive development that ‘district heating’, ‘renewable self-consumer’, ‘renewable self-consumption’, ‘SME’ and ‘renewable energy communities’ (Article 21) are at least partially defined and thus recognised as legal terms that are of relevance to energy policy and regulation. In the past, a lack of clarity in terminology has led to significant investment uncertainty. There are, however, two problems. First, there is still no clear definition of ‘prosumerism’, and the proposed definitions are not always consistently applied in the winter package. Second, the legal substance of the directive is not equipped to put these concepts properly into practice. The impact of these rules depends on effective implementation. The EESC regrets that the Commission has not proposed clear guidelines for this implementation.

4.8. In relation to the issue of renewable self-consumers:

— The EESC welcomes the provisions on self-consumers in Article 21(1) to (3). However, these regulations could remain ineffective if the article does not comprehensively explain what is meant when it states that consumers ‘are entitled to carry out self-consumption and sell … their excess production of renewable electricity without being subject to disproportionate procedures and charges that are not cost-reflective’. The reference to their rights as consumers should be complemented by a reference to Chapter III of the proposed directive on the internal market in electricity, establishing what specific rights energy consumers who consume their own electricity actually have in practice, and how they can make use of them including the right to make use of peer-to-peer transactions.

— The Commission should also clarify, for example, that self-consumption of electricity without use of the infrastructure should be exempt from duties and taxes, in the same way as the self-consumption of heat.

— The provision that, under certain conditions, self-consumers should not be considered as conventional energy suppliers goes in the right direction, but needs to be clarified. First of all, ‘self-consumption’ and ‘supply’ are different things. The limits set in the proposal for a directive are too low. On the basis of actual business cases — in conjunction with the rules for small projects under paragraphs 125 and 127 of the current State aid rules — appropriate limits would be 20 MWh (6 000 MWh in the case of wind power) for households and 1 000 MWh (36 000 MWh in the case of wind power) for legal persons.

— The provision that self-consumers should be remunerated at market value for the electricity they feed into the grid requires a definition of the term ‘market value’. It is not appropriate to determine it based on the price level on the wholesale market, as long as the market is distorted by subsidies for fossil-fuel based energy production. Moreover, the remuneration should also take account of the condition of the system as a whole (e.g. grid utilisation), to encourage self-consumers to store energy or transfer load ‘in the interests of the system’.
The EESC welcomes the proposal in paragraph 2 regulating supply to individual buildings, as it would eliminate a profound injustice that has existed for years.

4.9. As for administrative requirements and permits, the EESC notes that the intention proposed in Articles 15 and 16 are fundamentally correct, but there are a number of problems with the proposed text. First of all, the term 'decentralised devices' in Article 15 paragraph 1(d) is too vague, and needs to be defined. Secondly, the Member States regularly fail to meet the objective of putting community energy on an equal footing with the major market participants, and this is often due to their interpretation of the State aid rules. This equal footing will therefore not be achieved until the rules relating to small projects, self-consumption and 'prosumption' are made clearer. The Commission must take action on this as a matter of urgency. Thirdly, the proposals in Articles 15 and 16 relate only to production. In order for market players such as energy communities to gain full access to the market and, above all, to be able to perform peer-to-peer transactions, they need simplified procedures for electricity storage, trading and self-consumption.

4.10. In relation to guarantees of origin (GOs), Article 19 of the proposal does not adequately reflect the existing market failure. While the proposal wants consumer choice to incentivise the development of renewable energy capacities, current EU law allows misleading 'green electricity' offers. Suppliers are allowed to use GOs to build up a green façade while they continue to generate, purchase and sell non-renewable electricity. Future EU legislation should mandate national regulatory authorities to establish binding requirements for all market participants offering 'green electricity' tariffs. Suppliers should substantiate the additional environmental benefit of such tariffs. However, the Commission's proposal could increase consumers' confusion, and oversupply of GOs could increase. In addition, prosumer communities that sell their electricity directly should be exempt from the requirement to identify its origin, as that origin is evident from its status as prosumer or community energy.

(d) More ambition and more flexibility for bioenergy and alternative fuels

In terms of biofuels:

4.11. The EESC finds that the proposal's approach regarding biofuels is too rigid. While respecting the aim of not impinging on food production, it is also important to allow optimal use of available resources. Therefore, the EESC maintains its view that those biofuels should be developed that do not come from agricultural products or land use that impinge on food production, but from other sources such as residual products, by-products and waste, including from forestry (see the EESC's opinion on the decarbonisation of transport) (5). The EESC also underscores that any phasing-out measures should be implemented to avoid sunk assets.

4.12. In its opinion of 17 April 2013 on indirect land-use change (ILUC)/biofuels (6), the EESC asked what quantitative contribution 'advanced biofuels' could make, and at what cost. These questions have not yet been answered.

4.13. It also pointed out that increasing the cultivation and use of oil plants as part of particularly sustainable agriculture (i.e. mixed cropping) could open up some very useful applications, such as running agricultural and forestry machinery. However, this is another area where the Commission does not appear to have a proper strategy yet; the proposal for a directive does not solve the problem.

4.14. The EESC considers it important to maintain flexibility regarding the reduction of biofuels, bioliquids and biomass energy produced from food or feed crops, provided they fulfil the sustainability criteria set out in Article 27 of the proposal.

4.15. The EESC strongly supports the requirements set out in Article 26(5) in order to ensure sustainable forestry. The EESC recommends that the definition of 'harvesting permit' in Article 2(jj) is reformulated to include all forms of legally valid authorisations to harvest the forest biomass.

(5) OJ C 198, 10.7.2013, p. 56.
(6) OJ C 198, 10.7.2013, p. 56.
With regard to electromobility

4.16. The quota set in the directive for alternative fuels does not take due account of the major growth potential of electromobility. With the share of renewable energies in electricity production rising rapidly, electromobility is also necessary, as it offers flexibility and, if implemented properly from a strategic point of view, can play a major role in developing prosumption structures.

4.17. Apart from the quota for alternative fuels, not least on industrial and regional policy grounds and with a view to ending Europe’s energy dependence, a possible target for the share of electromobility using electricity produced from renewable sources could be 10-20% by 2030. It is also important for the sustainability criteria in Article 27, relating to the maximum share of renewables in final energy consumption, also to be applied to the transport sector, in order to avoid excessive restrictions on the use of biofuels in the transport sector.

(e) New impulses for renewables in the heating sector and for district heating

With regard to gas and heating

4.18. The proposal in Article 23 to increase the share of renewable energy supplied for heating and cooling in all the Member States by at least 1 percentage point every year is not enough: significantly higher targets will need to be set if we are to achieve the climate objectives.

4.19. The requirement in Article 20(1) to assess the need to extend the gas network infrastructure to facilitate the integration of gas from renewable energy sources makes sense, but it must be borne in mind that gas is also a finite fossil fuel. Reference is made in this regard to the opinion on security of natural gas supply (7). It must be ensured when setting the criteria for the assessment that the aspect of sector coupling is taken into consideration.

4.20. The Committee welcomes the proposal in Article 20(3) and Article 24 to strengthen district heating concepts, as they are important methods of developing sector coupling, addressing energy poverty and boosting the regional economy. The EESC at the same time notes that integrated district and regional solutions often fail due to national regulations.


The President
of the European Economic and Social Committee
Georges DASSIS

1. Conclusions and recommendations

1.1. The EESC welcomes the ‘clean energy’ package, which aims to accelerate, transform and consolidate the EU economy’s clean energy transition, while retaining the important goals of economic growth and job creation.

1.2. According to this package citizens shall be at the heart of the Energy Union, which means their active involvement in the transition process and, in particular, having in place political framework conditions that ensure affordable energy costs for all parts of our society, including the vulnerable. The EESC endorses these principles, while expressing concerns about whether the regulatory proposals are specific enough to meet them.

1.3. The EESC would like to emphasise the fact that ‘clean energy’ benefits not just the global climate, but air quality on a local scale in particular, thus providing a better and healthier environment for all.

1.4. The package is one component in meeting the EU’s commitments following the Paris 2015 agreement on climate change mitigation. Renewable energy technologies and energy efficiency products and services will be key, being aware that we are still far removed from a level playing field on which renewables could survive without special support.

1.5. The EESC welcomes the various elements of the package addressing heating and cooling of buildings, eco-design, the electricity market and transport, which are moves in the right direction. However, it is concerned that although the package is a big step forward, huge efforts are still needed to achieve a satisfactory level playing field for all participants in the energy market and at the same time to ensure progress towards a carbon-free energy economy.

1.6. The EESC appreciates the optimistic picture painted in the package, with some quite positive assumptions about an increase in industrial output related to renewable energy and energy efficient technologies and the number of jobs that could be created. However, the EESC would also like to emphasise that serious risks and dangers exist, especially if the transition process is too fast or too slow and lacks integrated planning. Both, opportunities and risks have to be considered adequately.
1.7. In particular the huge task involved in transforming the economy of regions that are today based largely on the coal industry deserves a much deeper consideration than is displayed in the present package.

1.8. The European Council set a target of at least 27% for the share of renewable energy consumed in the EU in 2030. This minimum target is binding at EU level but will not be translated into nationally binding targets. The EESC regrets that there is no consensus at this time among the Member States on a common energy policy and, in particular, national targets. The Commission wants to solve this problem by introducing a governance scheme on integrated national energy and climate plans in which the Member States will pledge their contributions.

1.9. The EESC considers the governance proposal as the most difficult and crucial part of the ‘clean energy’ package. It has deep concerns about the proposed Regulation. Final content of Member States' national plans and contributions depend on satisfactory agreement with the Commission, this being achieved through consultations, public attitudes and influence and peer pressure. In particular, there is no detailed description of the ‘measures’ available to the Commission, such as the financial platform, if the general goals are not met.

1.10. ‘Energy efficiency first’ is a key principle in the proposal that the EESC fully endorses. However, energy efficiency is a tool to modernise Europe’s economy, not a means to alleviate energy poverty. To suggest otherwise is misleading because energy efficiency requires investments that vulnerable consumers may not be able to make.

1.11. The EESC is pleased to note that the Commission is now setting up an Energy Poverty Observatory as already proposed by the EESC in 2013. This could be key for a fully coordinated approach to energy poverty with various measures as for example social tariffs, poverty mitigation measures, consumer advice or energy efficiency.

1.12. The EESC is concerned about the financial underpinnings of the package in a climate of public austerity and low growth across the EU and whether the EU means envisaged (and their leveraging) will suffice to achieve the aims.

2. Introduction

2.1. This opinion addresses the package ‘Clean Energy for all Europeans’ in the round, while a series of other opinions (TEN/617, 618, 619, 620, 621, 622, 623, 625 and NAT/702) deal with its specific parts related to various legislative proposals covering energy efficiency, renewable energy, the design of the electricity market, security of supply and governance rules for the Energy Union.

2.2. The clean energy package was originally envisaged not as a package but as a sequence of proposals. However, given the interconnections between these proposals, the EESC welcomes on the one hand that it was decided to bundle them into one package and criticises on the other hand the sheer size of the package numbering a thousand pages, thus making public and civil society participation in scrutinising and thoroughly discussing the proposal difficult.

2.3. It is important to bear in mind that the Energy Union project has been in progress for a while and previous packages (e.g. gas security) have already been issued — strongly driven by the key concerns of climate change and security of fuel supply.

2.4. The clean energy package concerns all five key dimensions of the European Energy Union:

— energy security,

— internal energy market,

— energy efficiency,

— decarbonisation,

— research, innovation and competitiveness.
2.5. The ‘Clean Energy For All Europeans’ communication also serves to provide a vision or narrative for the Energy Union.

3. General comments

3.1. The package aims to speed up the clean energy transition while retaining the important goals of economic growth and job creation in Europe. The main reasons for the package are:

— The first global agreement (Paris 2015) on climate change mitigation, which entered into force on 4 November 2016. The implementation of the EU’s ambitious commitments depends to a large extent on the successful transition to a clean energy system.

— The energy sector is central to the development of the European economy. Hence, energy efficiency plays a crucial role in boosting other sectors of the economy. The development of renewable energy technologies and energy efficiency products and services has led to the creation of new businesses, while other energy business models face growing difficulties. It is crucial for EU policy to achieve a net creation of new and high quality jobs and support the success of EU enterprises.

— Another key objective is to ensure that the transition to a clean energy system will have a positive outreach to the people of Europe. This is a big challenge in view of the large disparities among Member States and the need to cover all parts of our society, including the vulnerable.

3.2. The EESC is supporting this strategy, as can be seen from a number of earlier opinions on these issues (1).

3.3. The EESC welcomes this package of regulatory proposals and facilitating measures that seek to accelerate, transform and consolidate the EU economy’s clean energy transition. It particularly welcomes the fact that the areas of heating, cooling and transport are now enjoying the same weight as electricity generation.

3.4. The Commission’s ‘Clean Energy For All Europeans’ communication paints an optimistic picture, with quite positive assumptions about an increase in industrial output and the number of jobs that could be created. The EESC acknowledges this, believing such positive signals do need to be sent out in order to maintain momentum in what is for some a difficult transition process.

3.5. On the other hand, the EESC would also like to stress that the energy transition is a big challenge for Europe that also entails serious risks and dangers related to the energy transition, especially if the process is too fast or too slow and lacks integrated planning. A particular matter for concern are the large disparities — economic and political — among the Member States, which are supposed to be dealt with by the new regulation on governance. The EESC is convinced that the energy transition can only be successful if opportunities and risks are adequately considered.

4. Governance of the European Energy Union is a key issue

4.1. While Member States have committed themselves to national contributions to energy efficiency and renewable energy to be met by 2020, there are no corresponding indicative reference values for 2030.

4.2. The European Council has set a target of at least 27% for the share of renewable energy consumed in the EU in 2030. While this minimum target is binding at EU level, it will not be translated into nationally binding targets immediately. The EESC calls for strong measures to champion those Member States with the most ambitious targets.

4.3. The proposed Regulation on the Governance of the Energy Union (see TEN 617) now sets out the requirements for integrated National Energy and Climate Plans (NECPs) — replacing separate plans for energy efficiency and renewables — and a streamlined process to establish and oversee them. Governance — with its implications for binding requirements on national sovereign action — is a sensitive area, not least in energy, where Member States’ circumstances and political positions differ widely.

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4.4. The EESC has deep concerns about the capacity of the governance process to enforce and deliver concrete results. There is too great a reliance on consultations and peer pressure rather than clear rules. Further clarification is needed about the way in which the Commission can require Member States to take the ‘necessary measures’ in case it detects that there could be a gap, both on the ambition and implementation levels, in particular as regards renewables and energy efficiency. In particular, greater clarity is required on the nature and functioning of the ‘financing platform’ as a kind of sanction in case of any shortfall in the provision of renewable energy.

4.5. In particular, the EESC is disappointed to note that ‘public consultation’ is non-specific in the regulation and falls far short of the EESC proposal for a far-reaching European Energy Dialogue (EED). To win the trust and engagement of citizens such a dialogue should be independent of government and the NECP process. It should offer a focus for informing consumers, help energy suppliers to engage and build trust and provide a channel for the many concerns of different groups about energy security, affordability and sustainability.

4.6. In line with the principle of subsidiarity, and in order to fully benefit from the decentralised and flexible nature of energy efficiency and renewables technologies, an increasingly larger part of energy policy and decision-making should be transferred from Member States to local and regional public government levels. The EU, Member States and local and regional governments, in cooperation with organised civil society which ensures strong public and community involvement, should facilitate this transfer and make sure it is accelerated and implemented in a coordinated manner that provides the most benefits to consumers and communities.

5. Energy efficiency provides a huge potential for energy savings

5.1. Improving energy efficiency in all areas (energy generation, manufacturing and transport, electricity, heating, cooling and mobility) is of paramount importance for Europe’s future energy system. The EESC welcomes the fact that energy efficiency is to receive greater attention in EU policies and that the new initiatives now also include heating, cooling and transport, which is overdue (see also opinion TEN/618 on the Energy Efficiency Directive).

5.2. Improving energy efficiency alone — even on the most ambitious scale — cannot solve those energy-related problems involving climate change, security of supply or poverty. It can, however, serve as a powerful means of mitigating the problems. Improved efficiencies can lead to reduced energy consumption and so dampen or reverse the rise in energy costs, even with rising energy prices.

5.3. It is important to note that increases in energy efficiency always depend on investment. As a consequence, improved efficiencies do not necessarily lead to a lower cost burden for consumers or industry, as the communication asserts a number of times. They do, of course, always lead to lower energy consumption and therefore have a beneficial effect in terms of climate. A positive effect on costs, however, depends crucially on the balance between investments and energy cost savings. The EESC would like to see a more realistic and critical consideration of this fact.

5.4. The EESC welcomes the amendment of the Energy Performance of Buildings Directive (TEN/620). Heating and cooling of buildings is extremely important, accounting as it does for 40 % of total energy consumption. Energy savings in this area are achieved by renovation and new buildings. In both cases significant investments are required. However, with only 0,4 %-1,2 % of the building stock being renovated/new built annually, it is clear that these processes need to be accelerated.

5.5. Member States are required to set out a roadmap with clear milestones and measures to deliver on the long-term 2050 goal to decarbonise their national building stock, with specific milestones for 2030.

5.6. The EESC is disappointed with the choice of the less ambitious policy option, with fewer energy savings than possible. It is aware that the political will of Member States to achieve better results in this area cannot be guaranteed, although energy efficiency in buildings does offer the biggest identifiable opportunity.
5.7. The EESC appreciates the large variety of new financial instruments proposed by the Commission. The availability of financial instruments supporting renovation is essential, in particular to incentivise private and non-municipal social landlords to invest in renovation of older property.

5.8. The owners or tenants of new or renovated buildings enjoy not only a lower energy consumption but also increased living comfort and a better quality of life. Unfortunately, in typical cases this leads to a rebound effect, where higher rents of renovated dwellings can easily outweigh the energy cost savings. The communication, on the other hand, expresses a rather optimistic view about cost savings. The EESC recommends a more critical look into this problem. Economic and social criteria should be applied here, otherwise a new form of poverty will be created for older generations.

5.9. The EESC welcomes the initiative in the directive to make the installation of electric recharging points for electric cars obligatory for a large fraction of new buildings. It is important to point out, however, that the future demand for higher electrical power requires planning and coordination with the electricity suppliers because of the additional need to invest in advance in high power transformers close to residential areas.

5.10. The EESC is convinced that more energy-efficient transport systems driven by the ongoing technological developments and the development of Cooperative Intelligent Transport Systems will contribute significantly to European efforts towards energy savings (TEN/621). The new Working Plan and Regulation on Eco-design (NAT/702) delivers an important element for the common European market, providing high efficiency products and supporting the circular economy.

6. Consumers at the centre of the Energy Union

6.1. The EESC appreciates that the Commission wants to put consumers at the centre of the Energy Union. In modern life, transport, housing, communication and general consumption require the use of a certain minimum of energy for all citizens. Energy must not, therefore, become a luxury good. But the often mentioned phenomenon of energy poverty — although not well defined — indicates a trend in which vulnerable citizens experience more and more difficulty in acquiring the minimum energy services they need. The EESC calls for this tendency to be countered and for energy policy to be adapted accordingly.

6.2. Technological progress has meant that costs for electricity generation have declined over the past years. The consumer has not benefited from this because the decline has very often been outweighed by taxes, grid costs and so on. This constitutes a serious problem because it has negative impacts on energy poverty.

6.3. The EESC disagrees with the assertion that ‘energy efficiency is one of the best ways to address the root causes of energy poverty’. The term ‘energy poverty’ arose when energy prices started to rise significantly. This means that it is high prices that are the root cause of this specific category of poverty and they should be the primary target for any measures to help the vulnerable. Efficiency improvements also help, of course, but they are inevitably dependent on significant investment, which vulnerable consumers in particular may not be able to make (see TEN/518).

6.4. The EESC is pleased to note that the Commission is now setting up an Energy Poverty Observatory as has already been proposed by the EESC in 2013 by the opinion TEN/516 on energy poverty. Its main focus should be first to define European energy poverty indicators. This could be key for the MS to adopt a fully coordinated approach to energy poverty including an understanding of the role and effectiveness played by the various instruments as for example social tariffs, poverty mitigation measures, consumer advice or energy efficiency.

6.5. The EESC would like to emphasise the fact that, in addition to the issues mentioned in the communication (energy security, energy efficiency and decarbonisation), clean energy also implies significant health benefits for all citizens.

6.6. The package offers citizens only a limited role in directly affecting the decisions that will shape their everyday life and livelihoods. It is not clear whether the principles of an energy dialogue that results in meaningful participation is being — and will be — applied across the Union (see also TEN/617). This dialogue requires a level playing field to be put in place, including in the institutional dimension.
6.7. The EESC welcomes the recognition of the growing role of citizens taking part in the electricity market as prosumers. They need a new market arrangement that fits the decentralised structures of electricity generation from renewable sources and that really does put consumers and citizens at the heart of European energy policy.

6.8. The EESC encourages the concept of community energy, which refers to a business model where citizens jointly own and participate in renewable energy or energy efficiency projects in the area in which they live. The legislative provisions in the new package should allow for and encourage initiatives of this kind wherever possible.

7. **Renewables in a new market**

7.1. The EESC supports in general the objective of the **Renewable Energy Directive** (TEN 622) of pushing forward a stronger integration of renewable energy suppliers into the market as a consequence of reductions in the costs of renewables.

7.2. The EESC is also concerned, however, that we are far removed from a level playing field on which renewables could survive without special support. There is much still to be done to remove the huge distortions in the existing electricity markets created by subsidies, structural boundary conditions and no clear accounting of external costs.

7.3. The EESC welcomes the recent report by the European Environment Agency (EEA) entitled *Transforming the EU power sector: avoiding a carbon lock-in*. Fossil fuels still contribute to roughly half of the electricity generated in Europe. The EEA study compares current power market trends with EU climate goals for 2030 and beyond. Moving out of a carbon-intensive power supply requires increased investments in alternatives, together with supportive policy frameworks.

7.4. The EESC is concerned about the lack of details regarding specific measures and support instruments, which may put the further promotion of renewables at risk.

7.5. The EESC would like to emphasise the fact that energy security has to be reconsidered when the energy mix changes sharply — an issue not sufficiently addressed in the package.

8. **Opportunities for economy and jobs**

8.1. The energy transition is a big challenge for Europe, with opportunities for new jobs, economic growth and the well-being of all citizens. In view of the risks and dangers which also come along with such a transition, it is of utmost importance to develop a well balanced policy which provides the right measures to avoid any damage for our society, e.g. for employees (unemployment and job quality), consumers, and SMEs. This can only be achieved by involving the stakeholders in all phases of this transition and the EESC, as a valuable and relevant partner, is one of them.

8.2. Global leadership in clean technologies also implies exporting these technologies, which is beneficial from both the economic and the environmental point of view (NAT/690).

8.3. Research and innovation are key to supporting Europe’s global competitiveness and leadership in advanced energy technologies and energy efficiency solutions. The dedicated strategy on **Accelerating Clean Energy Innovation** (TEN/619) should bring stronger prioritisation and concrete actions to ensure that innovations to phase out carbon technologies are deployed more widely and brought to market more rapidly. The EESC is critical of the fact that there is only limited reference to basic research and what research can contribute. The SET plan is briefly mentioned, but unfortunately only from the industrial angle.

8.4. The package makes recurring references to industry, jobs and growth as the definition of innovation; but innovation is more than this. The well-being of people and nature are important assets beyond industry-driven aspects.
8.5. The EESC welcomes the Commission’s proposal to set up a ‘clean energy industrial forum’, which could in a bottom-up process become part of the broader concept of dialogue with civil society and other stakeholders. It emphasises the importance of balanced support to the research and innovation chain, from basic research to applied research to new product innovations.

8.6. Given the huge task of transforming the economy of those regions that are today based largely on the coal industry, the EESC believes that this issue deserves much deeper consideration than is displayed in the present package.

8.7. For new investments in renewables and energy efficiency, costs of capital vary significantly between Member States. The EESC considers strong fiscal and institutional measures are needed to end or minimise such discriminatory conditions for consumers and investors.

8.8. South-east Europe possesses both a vast renewable energy potential and a skilled workforce that have so far been largely untapped. The EESC calls for a significant increase in support to stakeholders that pursue Energy Union goals in the region. This will provide consumers and local investors with huge development opportunities in line with the goals of the present package.


The President
of the European Economic and Social Committee

Georges DASSIS
1. Conclusions and recommendations

1.1. The EESC welcomes the European Commission’s proposal for a new European Consensus on Development — Our world, our dignity, our future. This proposal is in line with the recommendations set out in the EESC’s REX/461 opinion on The 2030 Agenda — a European Union committed to sustainable development globally, which pointed out that ‘The EU institutions and the Member States urgently need to agree on the way forward at the highest political level through an interinstitutional agreement between the Commission, the Council and the Parliament in order to establish a robust basis for further political action. This agreement on the implementation of the SDGs should form the basis for an overarching strategy to mainstream the 2030 Agenda with the aim of making the EU a Sustainable Development Union.’ This opinion also pointed out that the Commission ‘needs to fully integrate and utilise the 2030 Agenda in the European Consensus on Development’.

1.2. The EESC acknowledges the role of the 2006 European Consensus on Development for the development cooperation policy of the European Union and of its Member States (1). The added value of the Consensus has fundamentally been to provide a commonly agreed vision for the EU and Member States, as well as a framework for implementation at EU level, which were subsequently translated into a number of guiding documents, policies and actions, both at EU and Member State level. It is expected that the new Consensus will continue to play a similar role.

1.3. The EESC salutes the explicit commitment of the Consensus to the overarching goal of eradicating poverty, on a rights-based approach to development cooperation and on gender equality, ensuring that under the 2030 Agenda no-one is left behind wherever they live and regardless of ethnicity, gender, age, disability, religion or belief, sexual orientation, migration status or other status.

1.4. Through its reference to the 2030 Agenda and by maintaining at its core the eradication of poverty, the Consensus brings it due recognition and it increases the profile of development cooperation as a separate policy area of the European Union. While development policy needs to be considered as a pillar of EU external action, the Consensus should be regarded as a guarantee that development is on an equal footing with and that it cannot be subordinated to other policy areas of the Union (security, trade, justice and home affairs, etc.).

1.5. The revision of the Consensus comes at a very difficult moment, when European values and principles (Article 2 of the Treaty on European Union) and the very existence of the EU are increasingly under attack. Multiple crises affect the capacity and willingness of governments to allocate the resources needed to implement the 2030 Agenda. It is therefore highly important that all the EU’s Member States as well as its institutions fully commit to implementing and abiding by a Consensus on Development, including to its financial implications.

1.6. The Consensus should attempt to define the roles of the Commission and of Member States, taking into account their specific comparative advantage in the field of development. That has become even more relevant as it is expected that the total allocation for development by the EU and its Member States will decrease after Brexit and in a changing domestic political environment. According to a report requested by the European Parliament’s Committee on Development in 2013 (2), the economic cost of the lack of effective coordination of development aid among between the Member States and the European Commission was evaluated at some EUR 800 million. That amount could be saved annually on transaction costs if donors concentrated their aid efforts on fewer countries and activities. It was also estimated that an extra EUR 8.4 billion of annual savings could potentially be achieved from better cross-country allocation patterns.

1.7. The EU and its Member States should not use development aid as leverage to impose cooperation on development cooperation partners for economic and foreign policy goals, for state security and migration control. Instead development cooperation should remain focused on its core goal of poverty eradication, equal opportunities and dignity for all, and on ensuring environmental sustainability.

1.8. The EESC draws particular attention to the role of agriculture in development policy. Strengthening the basis for local food production, improving the position of women in rural areas, and farmers forming associations and cooperating are important factors in eliminating poverty and achieving the goals of sustainable development in the world’s poorest countries.

1.9. The Consensus recognises the role of the social partners and civil society organisations (CSOs), both in promoting the 2030 Agenda and in contributing to its implementation. Besides offering strong political support for the establishment of an enabling environment in which these can play their full role, the EU should also offer recognition, support and protection to human rights organisations, watchdog organisations and trade unions operating in difficult situations. Furthermore, the EU should work to develop better adapted financial mechanisms to support a wider variety of civil society organisations, to ensure the access of smaller and more numerous local organisations to EU programmes. The EESC has drawn up a number of key recommendations on this point in its REX/461 opinion on The 2030 Agenda — a European Union committed to sustainable development globally.

1.10. Social dialogue must be recognised as a tool for implementing the development agenda. Social dialogue requires an enabling environment and an effective institutional framework. This begins with respect for freedom of association and the right to collective bargaining. The EU should work with independent employers and workers’ organisations (social partners) to promote sound industrial relations practices and functioning labour administrations.

1.11. While a potentially positive instrument, there are too few studies demonstrating that EU trust funds (EUTFs) are adapted to respond to the developing-country ownership and alignment. As half of EU Member States are increasing ODA allocations to the private sector, commercial sector investment with public money remains largely non-transparent and unmonitored (3). The social partners and civil society organisations should be supported and allowed to monitor public spending on development, including funds earmarked for the private sector. They should be meaningfully involved in the formulation, implementation, monitoring and evaluation of development programmes so that they respond to the genuine needs of the widest range of people.

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(3) AidWatch Report, Concord (2016).
1.12. Job creation is an important challenge in developing countries and the private sector has to play an important role. The EESC’s REX/386 opinion on Involvement of the private sector in the post-2015 development framework points to the important role played by the business world in tackling global poverty, as it creates jobs, provides goods and services, generates income and profit and, by paying taxes, helps to fund public spending. However, job creation should not be a goal in itself, unless it ensures labour and environmental standards and decent employment conditions, particularly for women and young people, in accordance with the International Labour Organization’s (ILO) Decent Work Agenda, ILO’s labour standards and other international texts (such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises).

1.13. The EESC believes that the foundation for inclusion and sustainability is decent and stable jobs (particularly for women and young people) which generate sufficient revenue and sustainable value chains for the range of consolidated public services. It is necessary to promote new models of production and consumption in the framework of the circular economy. Vulnerable groups will be better protected, will have access to financial services, and a decent, just and sustainable business sector will develop new business models (social enterprises providing local services) and new, adequately regulated SMEs.

2. **Background**

2.1. Development policy is an essential part of EU external action as set out in Article 21(2)(d) of the Treaty on European Union (TEU), and is designed to foster the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty, as laid down in Article 208 of the Treaty on the Functioning of the European Union (TFEU).

2.2. The purpose of the proposed new European Consensus on Development is to provide the framework for the common approach to development cooperation policy that will be applied by the EU and its Member States.

2.3. At the same time, the Consensus represents a strong statement to the world emphasising the EU’s resolve to remain a credible, engaged and responsible global actor, leading by example. It sets out the principles and priorities of the Union in relation to the serious world problems and the ways to fulfil the EU’s commitments under the 2030 Agenda and the Paris Agreement.

2.4. The EESC notes that the revision of the European Consensus on Development is timely and extremely significant in the new context, as it aims both to guide the commitment of the EU and its Member States towards the implementation of the 2030 Agenda for Sustainable Development and to contribute to the achievement of the priorities of EU external action as set out in the Global Strategy for the EU’s Foreign and Security Policy (EUGS).

2.5. The enduring economic crisis, Brexit, policy changes in the USA, increasing disturbances in the East, the conflict in Syria and its humanitarian repercussions, the rise of populism and xenophobia in Member States, the economic impact of climate change all combine to create the most serious challenge the EU has faced in more than half a century.

2.6. As the new Global Strategy for the European Union’s Foreign and Security Policy (Shared Vision, Common Action: A Stronger Europe) (2016) has emphasised, the new domestic and global context has brought more instability and insecurity. Consequently, in face of increasing existential threats the EU needs to be stronger and more united than ever before.

2.7. The EU is collectively committed to provide 0,7 % of Gross National Income (GNI) as Official Development Assistance (ODA) within the timeframe of the 2030 Agenda. In order for the ambitions of the Consensus to be fulfilled, the EU and its Member States should meet their aid targets. At present, given the political context in Europe, there are serious concerns about the willingness of present and future governments to sustain this level of financial commitment. Political developments in EU Member States might jeopardise the development cooperation commitments of national governments, as there is a strong demand by populist political movements towards less global solidarity and ODA spending.
2.8. Since the UK has been the largest development aid contributor within the EU (with over EUR 14 billion in 2015), Brexit will have already a direct impact on the EU’s position and capacity in this particular policy area, limiting the resources it envisaged committing for the implementation of the SDGs. It is estimated that, aside from non-financial capacity, with Brexit, the EU will lose around 15% of its aid budget. It is all the more important for the EU Member States to close ranks and to meet their aid targets.

2.9. The EU should ensure that the focus of ODA continues to be poverty alleviation in developing countries, that funds are spent efficiently and in these countries’ best interest, and that Policy Coherence for Development (PCD) is upheld. The 2016 AidWatch Report by Concord reveals that already in 2015, 17% of EU aid did not reflect a real transfer of resources to developing countries, because it went to ‘in-donor’ refugee spending, debt relief, student costs, tied aid and interest payments. Some EU Member States increased their reported aid almost entirely through spending on refugees in their own countries, thereby becoming their own top beneficiaries.

2.10. By its own nature and founding reasons, the EU is bound to promote and defend multilateralism, a rules-based global order, global peace and human rights. Over time, the EU has become the necessary, responsible and principled global actor addressing the root causes of conflict and poverty, promoting universal human rights, setting an example and using its soft power to produce positive change across the world.

2.11. The commitment of the EU, together with its Member States, as a leading global actor in the field of development cooperation has become part of the Union’s identity and external projection.

2.12. The EU is the world’s most open market, offering generous tariff reductions to developing countries which ratify and implement core international conventions related to human and labour rights, the environment and good governance.

2.13. Beyond the financial flows, the EU is an essential political partner for developing countries, supporting positive political and social change and their fairer and fuller participation in global political and economic processes.

2.14. The EU played a major role in the formulation and implementation of the Millennium Development Goals (MDGs) (2005-2015) and has been a major driving force in the adoption of the Sustainable Development Goals (SDGs) (2016-2030), with a decisive contribution to including EU values such as human rights, democracy, the rule of law and social justice on the new global development agenda.

2.15. The EU is a leading global actor advancing the climate change agenda and it had a substantial role in the creation of a broad coalition of developed and developing countries which contributed to the adoption of the Paris Agreement in December 2015. The EU has committed to allocate 20% of its budget on climate action, both mitigation and adaptation, to support the Paris Agreement.

2.16. According to the EU’s International Cooperation and Development Eurobarometer survey released in February 2016, almost nine out of ten EU citizens support development (89% — a 4 percentage point increase since 2014). In new Member States, the figures tend to be slightly lower than in older Member States. Figures show increases in the proportion of people who think tackling poverty in developing countries should be one of the main priorities of the EU (up five percentage points to 69%) and of national governments (up five percentage points to 50%). Almost seven out of ten respondents supported an increase of development aid delivered by the EU (68%) — a higher percentage than in recent years. Almost three quarters of those participating in the survey agreed that development aid is an effective way to tackle irregular migration (73%) and 80% of Europeans believe that development is in the EU’s own interest. 52% think the EU should keep its promise to increase aid to developing countries.
3. Comments

3.1. Interconnectivity is the central pillar of the 2030 Agenda, an action framework for the development of comprehensive national strategies on sustainable development which will integrate in a balanced way the economic, social and environmental dimensions to achieve positive effects in interrelated fields while considering transversal factors: gender equality, youth, mobility, migration, investments and sustainable energy. The priorities defined by the 2030 Agenda are structured around the following priorities: people, planet, prosperity, peace, partnership.

3.2. While the number of people living in extreme poverty dropped by more than half between 1990 and 2015, more than 800 million people are still living on less than USD 1.25 a day, and 80% of them live in sub-Saharan Africa and South Asia. The Consensus focuses on the need to eradicate poverty in very poor, fragile or conflict-affected countries and to strengthen resilience, particularly of vulnerable populations, in the face of environmental and economic shocks, natural and man-made disasters and global threats to health.

3.3. By 2030, the poor population will be concentrated in fragile countries prone to the effects of conflicts which create more poverty. In these conditions, in order to be able to help the poor, different approaches are needed. Although more people are escaping extreme poverty, inequality has increased among and within countries. Aside from poverty, conflicts and climate change, inequality has become the main source of instability in most of the world.

3.4. A number of principles will be at the centre of development cooperation policy: combating discrimination and inequality, no one left behind, eradication of poverty, the founding principles of sustainable development. This will enable us to make progress with regard to human dignity: ending hunger, universal access to education and training, health insurance systems, decent work for all, the shift from the informal to the formal economy, suitable, appropriate social protection and a healthy environment. These goals can be reached through governance based on strong, suitable policies at national level, a pillar protecting vulnerable people.

3.5. Long-term joint action will help chronically poor communities, generate economic growth, reduce inequality and convert opportunities into results. Real economic achievements will have to be accompanied by policies for the redistribution of public spending, increasing access to high-quality services, particularly access to education, health services and sanitation.

3.6. In parallel, sustainable, suitable and fair social protection services will be established, linked by solidarity to revenue-generating work. One basic service could be the guarantee of a minimum income (as a new instrument) to ensure resilience, so that people do not fall back into extreme poverty. Social structures must be strengthened in the medium and long term.

3.7. Although the Consensus does not mention it explicitly, it is expected that the Agenda for Change commitment for continued support for social inclusion and human development of at least 20% of EU aid will be maintained.

3.8. One fundamental issue is the safeguarding and exercise of the rights of women and girls and sexual and reproductive health and rights (SRHR), a key factor in human development. At the same time, the resilience of vulnerable populations must be strengthened to enable them to cope with economic and environmental shocks, including natural or man-made disasters. A consistent and integrated system for the provision of humanitarian aid for displaced people (with a particular focus on minors and other vulnerable persons) is needed, boosting access to education and decent jobs.

3.9. In order to survive, humans need access to varied, sufficient, nutritious, safe and affordable food. Poor communities need support to access land resources, water (including drinking water), sanitation and affordable sources of clean, secure energy which has a minimal impact on the environment. Such access will reduce malnutrition and undernourishment, delayed growth and development in children, and will contribute to their mental health. Therefore, access to improved services (technological progress and digital innovation) will improve the quality of life of rural and urban communities facing rapid population growth, and will be a contributing factor in a healthier and more prosperous and dignified community able to meet its needs.
3.10. Resilience and sustainability are essential elements, indispensable to finding a viable solution in the current complex, dynamic and unpredictable global context. Vulnerability aggravates the acute effects of poverty, while the enduring extreme fragility correlated with recurrent structural crises continues to generate humanitarian emergencies, preventing communities’ development. The conflicts’ persistence overstretches resources, impedes the delivery of fundamental human rights and leads to an increase in the number of refugees and displaced persons. Progress is undermined by recurrent challenges to public health.

3.11. The access to affordable and sustainable energy services (production of renewable energy, combating energy poverty) remains limited and is an obstacle to economic growth and to proper and efficient industrialisation adapted to the local conditions, needs and possibilities (in line with environmental protection). The access to natural resources is limited as they are being exhausted through unsustainable exploitation.

3.12. Sustainable agriculture, rational food systems and sustainable fishing generate products which can efficiently satisfy the needs of populations, with exponential growth when there is limited pressure on the environment. Water stress and (unsustainable) water demand affect climate change.

3.13. The Consensus aims to pay particular attention to the demographic youth dividend in the developing countries, harnessing the potential of 1.3 billion people as a driving force for inclusive growth and sustainable development by creating new good quality jobs and supporting youth empowerment and participation in local economies, societies and decision-making and in the conduct of public affairs.

3.14. A transformation towards a circular economy is needed, allowing for an efficient use of available resources and supporting the extensive process of correct and sustainable development. There is real potential that new actors in the private sector are capable of proposing partnerships and innovative solutions and efficient, viable and ethical financial mechanisms which can become models of progress. Cooperation as well as communication and information technology (resilient and efficient networks and infrastructures) are key to success as long as resources and investments are realigned towards the achievement of SDGs to generate progress in response to global challenges.

3.15. Sustainable development and eradication of poverty require environmental sustainability, a stable climate and opportunities for vulnerable social groups. Unbalanced economic processes can jeopardise stability and peace, leading to large-scale migration. Environmental aspects must be integrated for preventative action, including stronger application of the ‘polluter pays’ principle. A responsible private sector can play a key role by promoting the efficient use of resources and sustainable production and consumption, which can decouple economic growth from environmental damage through the shift to the circular economy.

3.16. The private sector role in the implementation of the 2030 Agenda should be evaluated based on its capacity to contribute to the achievement of the development goals for the beneficiary countries and based on the principles of the Global Partnership for Effective Development Cooperation. While new funding instruments involving private actors can be an effective tool for generating economic development, employment and public budget revenues, it is important that these instruments submit themselves to the same transparency and evaluation conditions as public funding. The EU and its Member States should fund transparent, independent evaluations enabling stakeholders, including at local level, to assess the cost-effectiveness and impact of private-sector, commercial, development financing activities. The EU and its Member States should agree on a coherent narrative on the role of the private sector in development to make sure that no regions or countries in need are left behind. Innovative development finance mechanisms such as public-private partnerships (PPPs) should be assessed against development and cost effectiveness principles to prevent tied aid and to ensure a regulatory environment that allows governments to organise public services.

3.17. The EU should promote powerful international instruments in the area of responsible business in order to encourage responsible business and supply chain practices. With increasing interest in the private sector as a development actor, existing instruments for responsible business conduct should assume additional importance. Adherence and implementation of internationally recognised guidelines and principles concerning business behaviour and their accountability instruments should become a key condition to granting private sector support in development cooperation. Compliance should be linked to eligibility and an adequate monitoring system should lead to re-evaluation of financial support in case of violations.
3.18. Strong support for responsible business practices, the integration of human and workers' rights as well as decent working conditions (in line with the International Labour Organization Convention and other internationally recognised guidelines and principles concerning business behaviour), corporate social responsibility (regarding standards on labour and decent working conditions), financial integrity, the fight against corruption, and environmental standards are all necessary. This will avoid abuse and corruption and lead to a shift from the informal economy to the formal economy.

3.19. The EESC thinks that a fundamental condition for sustainable development is the non-discriminatory access to quality life-long learning ensuring that each citizen will possess the required knowledge and skills. A better, more dignified, more engaged life, according to individual capacities, will shape better and more responsible adults and rights in a just society based on social and economic welfare.

3.20. Another key factor in sustainable development will be the planning, building, setting up and operation of efficient urban infrastructure: sustainable, interconnected and safe transport networks and other resilient infrastructure. Cities must become centres of growth and innovation which foster inclusion and are surrounded by rural communities with a decent level of basic services. These goals are part of the concept of land use, which is supported by urban mobility and fair management of financial markets.

3.21. Inequality, the lack of the rule of law, exclusion and violation of laws and human needs are the root causes of poverty, instability and conflict leading to the displacement of people. Democratic governance guarantees the exercise of civil, political, economic, social, cultural (cultural diversity) and religious rights. Political dialogue spurs on action; judicial reform, universal access to justice, and an independent, open, responsible and efficient judicial system will lessen the burden on vulnerable social groups. It is necessary to strengthen the rule of law, combat violence and crime in cities, optimise people's safety, consolidate the capacity of the state, and promote responsibility, transparency and conflict prevention. Trust between the government and the population will grow.

3.22. Sustainable development needs societies that favour inclusion and democratic institutions that promote universal values: multilevel good governance, the rule of law, transparency in decision making, initiatives against corruption, human rights, a free and fair open society and an inclusive and transparent civil society resilient to internal and external shocks.

3.23. In connection with the future EU strategy for international cultural relations (JOIN 2016/029 and the ongoing REX/480 opinion), the EESC stresses the need to accord particular importance to culture and thus recognise it as the fourth pillar of the development agenda; therefore, the Committee recommends that culture be included among the priorities of the new European Consensus on Development.

3.24. In its 2007 SOC/268 opinion on Immigration and cooperation for development, the EESC pointed out that 'Migration is positive for both countries of origin and host countries'. However, it must be emphasised that mismanagement of migration can negate human rights and access to education and health. Migrants can fall victim to human trafficking and forced labour. Swift, firm reactions and action are needed in the countries of origin and transition as well as at the final destination. Systematic, structured and synergistic coordination is needed in order to maximise the positive effects and reduce irregular migration. This coordination must be linked to humanitarian aid. The solution is a sustainable development policy and continuous efforts in countries which are the source of migration. Political dialogue is part of Europe's external policy and a tool for curbing migration.

3.25. According to the EU's International Cooperation and Development Eurobarometer survey released in February 2016, more than one third (36 %) of EU citizens have at least heard of the Sustainable Development Goals, yet only one in ten know what they are (10 %). Citizens in northern and central areas are the most likely to have heard or read about the Sustainable Development Goals. It is obvious that the EU should do more to inform and educate EU citizens about development cooperation, particularly the southern and eastern Member States. The EESC in fact recommended this in its REX/461 opinion on The 2030 Agenda — a European Union committed to sustainable development globally: The European Commission should organise and carry out awareness-raising activities and campaigns to make the 2030 Agenda for Sustainable Development a European Agenda. The European Commission should undertake periodic Eurobarometer surveys in order to measure awareness and understanding of the Sustainable Development Goals among EU citizens. Civil society organisations have a crucial role to play in this process'.
3.26. The EU has the capacity and is in the position to play a leading role for SDGs, through its power of solidarity, social policies and economic and trade partnerships with all stakeholders that share the same values. Its wide diplomatic network ensures coherence, consistency, increased credibility and legitimacy and added value with a positive impact. The variety of European experiences, various approaches, added value as well as its unity in diversity are specific elements of the European external action and a competitive advantage for the EU.


The President of the European Economic and Social Committee
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