

# Official Journal of the European Union

C 424



English edition

## Information and Notices

Volume 57

26 November 2014

### Contents

#### I *Resolutions, recommendations and opinions*

##### OPINIONS

##### **European Economic and Social Committee**

##### **499th EESC plenary session, 4 and 5 June 2014**

|               |                                                                                                                                                                                                   |   |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 2014/C 424/01 | Opinion of the European Economic and Social Committee on 'Youth employment measures — Best practices (exploratory opinion requested by the Greek presidency)' . . . . .                           | 1 |
| 2014/C 424/02 | Opinion of the European Economic and Social Committee on 'Transatlantic trade relations and the EESC's views on an enhanced cooperation and eventual EU-USA FTA' — Own-initiative opinion . . . . | 9 |

#### III *Preparatory acts*

##### EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

##### **499th EESC plenary session, 4 and 5 June 2014**

|               |                                                                                                                                                                                                                                                                                                                                                                                    |    |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 2014/C 424/03 | Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee – A vision for the internal market for industrial products' — COM(2014) 25 <i>final</i> . . . . .                                                                                           | 20 |
| 2014/C 424/04 | Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council on an European network of Employment Services, workers' access to mobility services and the further integration of labour markets — COM(2014) 6 <i>final</i> — 2014/0002 (COD) . . . . .                                                      | 27 |
| 2014/C 424/05 | Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the exploration and production of hydrocarbons (such as shale gas) using high volume hydraulic fracturing in the EU' — COM(2014) 23 <i>final</i> . . . . . | 34 |

EN

|               |                                                                                                                                                                                                                                                                                                                                                                 |    |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 2014/C 424/06 | Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on: A policy framework for climate and energy in the period from 2020 to 2030' — COM(2014) 15 <i>final</i> . . . . .                       | 39 |
| 2014/C 424/07 | Opinion of the European Economic and Social Committee on the 'Proposal for a Decision of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC' — COM(2014) 20 <i>final</i> — 2014/0011 (COD) . . . . .    | 46 |
| 2014/C 424/08 | Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the Council and the European Parliament on the EU Approach against Wildlife Trafficking' — COM(2014) 64 <i>final</i> . . . . .                                                                                                                               | 52 |
| 2014/C 424/09 | Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Together towards competitive and resource-efficient urban mobility' — COM(2013) 913 <i>final</i> . . . . .                                | 58 |
| 2014/C 424/10 | Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions energy prices and costs in Europe' — (COM(2014) 21 <i>final</i> ) . . . .                                                                  | 64 |
| 2014/C 424/11 | Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on the approximation of the laws of the Member States relating to caseins and caseinates intended for human consumption and repealing Council Directive 83/417/EEC' — COM(2014) 174 <i>final</i> — 2014/0096 COD . . . . . | 72 |
| 2014/C 424/12 | Opinion of the European Economic and Social Committee on the 'Proposal for a Regulation of the European Parliament and of the Council on fixing an adjustment rate for direct payments provided for in Council Regulation (EC) No 73/2009 in respect of calendar year 2014' — COM(2014) 175 <i>final</i> — 2014/0097 COD . . . . .                              | 73 |

## I

*(Resolutions, recommendations and opinions)*

## OPINIONS

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

499TH EESC PLENARY SESSION, 4 AND 5 JUNE 2014

**Opinion of the European Economic and Social Committee on ‘Youth employment measures — Best practices (exploratory opinion requested by the Greek presidency)’**

(2014/C 424/01)

Rapporteur: **Christa SCHWENG**

In a letter dated on 6 December 2013, on behalf of the Greek Presidency and under Article 304 TFEU, ambassador Theodoros Sotiropoulos asked the European Economic and Social Committee to draw up an exploratory opinion on:

*Youth employment measures — Best practices*

(exploratory opinion).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 13 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 124 votes to 1 with 4 abstentions:

**1. Conclusions and recommendations**

1.1 The European Economic and Social Committee (EESC) considers tackling youth unemployment to be a policy priority. For today’s young people to be in a position to shape tomorrow’s Europe, they need the opportunity to live an independent life, which includes a job in line with their qualifications. Only a strategy geared towards growth and aimed at strengthening competitiveness and restoring the confidence of investors and households, as well as sustainable investment and an economic recovery plan, can stimulate demand for labour.

1.2 To encourage businesses to engage new and often inexperienced workers in economically uncertain times, there need to be the right incentives. This includes an education system that provides the personal and vocational skills needed to start a career, gears vocational training more strongly to the needs of the labour market, and promotes an entrepreneurial mindset. Likewise necessary is a dynamic and inclusive labour market in which people have the skills essential to a competitive European economy, social cohesion and long-term economic growth. Reforms to this end must strike a balance between flexibility and security, which is best achieved with the involvement of the social partners.

1.3 Young people should be assisted by qualified careers advisors when choosing a career. An analysis of medium-term labour needs, particularly at local level, can usefully influence career choices. Member States whose education systems combine theoretical instruction with practical training have distinguished themselves in the crisis with youth unemployment rates that are relatively low in European comparison. The EESC is convinced of the success of work experience-based approaches to vocational training, such as the dual training system that exists in some Member States. These training programmes are especially successful if all stakeholders (employers and workers, their representative organisations, and public authorities) assume their responsibility.

1.4 Public employment services also have an important role to play in the transition from school to work. They should have the appropriate financial and human resources not only to support unemployed people in their search for a job, but also to remain in close contact with the demand side.

1.5 Involving the social partners in a growth strategy, labour market reforms, education schemes and reforms of public administration, and involving youth organisations in the implementation of the Youth Guarantee, will ensure the consent of large parts of the population and thus social stability. Only decisions with broad support have a chance of bringing about sustainable change.

## 2. Introduction

2.1 Combating youth unemployment effectively is one of the biggest challenges of our time. Unemployment rates among 15-24-year-olds have always been higher than in the 24-65 age group, but the financial and economic crisis has hit young people looking for their first job particularly hard. While Eurostat <sup>(1)</sup> data show that the youth unemployment rate stood at twice the unemployment rate of the total population up to the end of 2008, the rate was 2,6 times as high by the end of 2012.

2.2 The reasons for this are fewer jobs as a result of weak — or negative — growth, reduced domestic demand, cuts and an accompanying freeze in public sector hiring, compounded by the failure to undertake early enough structural reforms of education and the labour market, as well as lack of skills and skills not in demand on the employment market.

2.3 The youth unemployment rate (i.e. the number of 15-24-year-olds without work as a percentage of the number of economically active 15-24-year-olds) in the EU-28 was 23,3 % in 2013. Eurostat <sup>(2)</sup> also calculates another indicator, the youth unemployment ratio (the number of unemployed 15-24-year-olds as a percentage of the total population of that age group), which for the EU stood at 9,8 % in 2013. This indicator shows that many young people in this age group are in education and therefore not even available for work. The Member States are affected very differently by youth unemployment, with the youth unemployment ratio ranging from 4 % in Germany to 20,8 % in Spain, and the youth unemployment rate from 7,9 % in Germany to 58,3 % in Greece.

2.4 Although it is important to clarify that the youth unemployment rate does not indicate the percentage of all young people who are unemployed, a significant percentage remains of young people who are seeking work.

2.5 The category of young people referred to as NEETs (not in employment, education or training) is of particular concern: according to Eurofound <sup>(3)</sup>, NEETs also face a higher risk of finding only insecure jobs later, and the frustration they experience early on in life makes them more susceptible to poverty, social exclusion and radicalisation. The cost of these people not being in the labour market is estimated conservatively at EUR 153 billion, or 1,2 % of European GDP.

2.6 Some EU Member States are seeing an increasing number of vacancies that cannot be filled, regardless of the level of youth unemployment. This is the case for skilled workers in various sectors, highly-skilled STEM (science, technology, engineering and mathematics) professions, and middle-management positions, where people with cross-cutting skills (such as communication skills, team skills and an entrepreneurial mindset) are in demand.

---

<sup>(1)</sup> Eurostat — Unemployment statistics.

<sup>(2)</sup> Eurostat — Statistics explained — Youth unemployment.

<sup>(3)</sup> Eurofound — NEETs.

### 3. Europe's response to youth unemployment

#### 3.1 *The Youth Guarantee*

3.1.1 The idea of a youth guarantee started to be floated in European Commission communications in 2011 <sup>(4)</sup>. In April 2013 the Council of Ministers adopted a recommendation on establishing a youth guarantee, with the aim of ensuring that all young people under the age of 25 receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education.

3.1.2 Most youth guarantee measures could be co-financed from the European Social Fund. In addition, 20 Member States are eligible for additional resources under the Youth Employment initiative because of their high regional youth unemployment rate (over 25 % in at least one region).

3.1.3 As part of the European Semester, assessment and monitoring of the Implementation Plans should feed into the country-specific recommendations, to ensure that the Youth Guarantee is in keeping with the objectives of the Europe 2020 strategy.

3.1.4 In 2013, the **European Investment Bank** launched its 'Skills and Jobs — Investing for Youth' programme with a budget of EUR 6 billion. The same amount is to be earmarked for the programme in 2014 and 2015.

#### 3.2 *European Social Partners' framework of actions on youth unemployment*

In June 2013, the European Social Partners adopted a Framework of Actions on Youth Employment <sup>(5)</sup> based on existing and new examples of good practice in relation to four priorities: learning, transition between training and work, employment and entrepreneurship. The intention is to encourage the national social partners to find responses in their own context, adapted to national conditions.

#### 3.3 *Contribution of the EESC*

3.3.1 The EESC has discussed the situation of young people on the labour market in numerous opinions <sup>(6)</sup>, conferences and hearings <sup>(7)</sup>. A new working method is being used by the Labour Market Observatory which involves drawing up pilot studies on specific subjects. Civil society organisations in a number of Member States are polled in order to assess whether EU policies and measures are achieving the desired result. In view of its topicality, the important issue of youth employment was one of the first subjects chosen for a pilot study.

3.3.2 In its opinion on the Youth Employment Package <sup>(8)</sup>, the Committee noted that 'a real growth strategy at EU and national level is needed to support the creation of more and more stable jobs. This requires a coordinated approach to all the efforts and policies aimed at strengthening competitiveness and at restoring the confidence of investors and households'. It also noted that the Youth Guarantee's EUR 6 billion budget would be insufficient.

3.3.3 In its opinion on a *Quality Framework for Traineeships* <sup>(9)</sup>, the EESC noted that traineeships were an important gateway to the labour market, but no panacea in the struggle against youth unemployment. In addition to integrating traineeships more closely into curricula and providing for basic social security, guidelines should be drawn up allowing an overview of funding opportunities, so as to be able to set up training schemes with shared financial responsibility.

<sup>(4)</sup> Youth Opportunities and the Youth Employment package.

<sup>(5)</sup> Framework of Actions on Youth Employment.

<sup>(6)</sup> OJ C 68, 6.3.2012, p. 1; OJ C 68, 6.3.2012, p. 11; OJ C 143, 22.5.2012, p. 94; OJ C 299, 4.10.2012, p. 97; OJ C 191, 29.6.2012, p. 103; OJ C 11, 15.1.2013, pp. 8-15; OJ C 161, 6.6.2013, pp. 67-72; OJ C 327, 12.11.2013, pp. 58-64; OJ C 133, 9.5.2013, pp. 77-80; OJ C 271, 19.9.2013, p. 101; CCMI/118 — EESC-2013-05662-00-00-AS-TRA (Rapporteur: Fornea, Co-rapporteur: Grimaldi); not yet published in the OJ.

<sup>(7)</sup> <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-eu-policies-youth-employment>

<http://www.eesc.europa.eu/?i=portal.en.events-and-activities-skill-mobility-competitiveness>

<sup>(8)</sup> OJ C 161, 6.6.2013, p. 67.

<sup>(9)</sup> Quality framework for traineeships.

3.3.4 The Committee warmly welcomed the decision on enhanced cooperation between Public Employment Services (PES), not least because of their importance in tackling youth unemployment<sup>(10)</sup>. PES have to be able to respond immediately, flexibly and creatively to developments in their working environment, and combine short-term measures with sustainable solutions. This has to be reflected in appropriate capacity and sufficient financial support. PES should focus more strongly on the supply side, since employers are having increasing difficulty finding the workforce they need.

3.3.5 In its opinion on *Opening up education*<sup>(11)</sup>, the EESC stressed that a digital approach within education systems can help to improve the quality and creativity of education. The involvement of teachers in the design and implementation of the initiative, combined with appropriate training, is key to opening up education innovatively through new technologies and Open Educational Resources (OER) in a teaching and learning environment that reaches out to everyone. The mobilisation of all stakeholders and support for creating 'learning partnerships' in society are also crucial to success.

3.3.6 The projects described in the following sections are recommended by EESC members. Since many projects are relatively new, often no data are available on their efficiency and effectiveness, which means that they are evaluated solely on the basis of members' observations.

#### 3.4 Reform of education systems

3.4.1 As part of the European Semester, 16 Member States were encouraged to modernise their education systems, with 12 advised to gear their vocational education more strongly towards the needs of the labour market or to strengthen dual training.

3.4.2 Education systems fall within the national remit and this should not change. However, the European level can create important momentum through experience-sharing and peer learning and by offering financial incentives. Education systems should be designed not just to equip young people with essential skills but also to teach them how to respond independently to changing requirements, so as to make lifelong learning a part of each individual career path.

3.4.3 Early career counselling and guidance should help to identify individual talents and skills, and also update people about labour market trends. An example is the *Vienna Daughters' Day*<sup>(12)</sup> project, where girls visit a workplace so as to gain insights into new occupational areas and job opportunities, which can also help to get them interested in technical vocational training.

3.4.4 Young people leave school early for a multitude of reasons, so measures need to be individually tailored. Examples of such measures are Austria's *Youth coaching*<sup>(13)</sup> and Germany's *Joblinge*<sup>(14)</sup> schemes, in which young people at risk of dropping out of the system are given temporary individual coaching and support with finding a training place or job.

3.4.5 It is noteworthy that those European countries where youth unemployment is low have education systems that are attuned to the labour market and to business needs, offering accredited and transferable vocational qualifications. In these systems, which take different forms, part of the education is completed in the workplace and part of it in the classroom. This approach has been recognised by the EU's institutions and social partners, who support the European Alliance for Apprenticeships<sup>(15)</sup>. Apprenticeships are among the most important elements of a youth guarantee scheme, and their success depends on a broad-based partnership bringing together representatives of business, employees and education. It is essential when setting up a dual system geared to the needs of businesses, the labour market and young people that it should be organised and run in close collaboration with bodies that are close to the business world. Strong involvement of the social partners ensures that they identify with the dual training system and support it ('stakeholders in the system'). Employers also need to take responsibility and be prepared to invest. Although other Member States cannot establish a comprehensive apprenticeship system in the short term, certain dual training courses could be piloted with a fixed group of companies in the same sector. This would mean the social partners in that sector laying down common training standards and accreditation requirements. Another possibility would be closer cooperation between individual schools — whilst respecting their autonomy — and individual businesses, as takes place in Poland, for example.

---

<sup>(10)</sup> Public Employment Services (PES).

<sup>(11)</sup> Opening up Education.

<sup>(12)</sup> Töchtertag.

<sup>(13)</sup> NEBA — Jugendcoaching.

<sup>(14)</sup> Joblinge.

<sup>(15)</sup> European Alliance for Apprenticeships.

3.4.6 Malta has taken key steps in this direction in recent years with courses at the Malta College of Arts, Science and Technology (MCAST), part of which is completed at a business. Of 284 students who have completed their practical training at Lufthansa Malta, 163 have been offered a job.

3.4.7 **Recognition of informally acquired skills.** The validation of learning outcomes, particularly knowledge and skills, acquired through non-formal and informal learning can play an important role in enhancing employability and mobility, as well as increasing motivation for lifelong learning, particularly in the case of the socio-economically disadvantaged or the low-skilled.

3.4.8 At a time when the European Union is confronted with a serious economic crisis which has caused a surge in unemployment, especially among young people, and in the context of an ageing population, the validation of relevant knowledge and skills is more important than ever for improving the functioning of the labour market, promoting mobility and enhancing competitiveness and economic growth.

### 3.5 Measures to facilitate the transition between school and professional life

3.5.1 **Skills and (professional) training measures.** Lack of job experience is a key reason for companies being reluctant to recruit young people during difficult economic times. Purely theoretical instruction, with no requirement to apply what has been learned, is increasingly proving to be a barrier to entry into the labour market.

3.5.2 *Thinking outside the box on recruitment* is a Lithuanian project designed to make young people ready for employment and find them job placements in appropriate companies. The *Implacementstiftungen* (placement programmes)<sup>(16)</sup> of Austria's Public Employment Service work in a similar way, by matching companies that cannot meet all their staff needs with jobseekers who still need to complete part of their training for a specific job. Training and subsistence costs are shared by the Employment Service and the company concerned. Assessments have shown that 75 % of participants are in work three months after completing such a programme.

3.5.3 In France, measures have been introduced through interprofessional agreements between the social partners specifically to help young people with or without a tertiary or secondary education in their search for employment. Application training sessions are the main focus of this programme. An evaluation showed that 65 % of participants in the programme found work, which was 18 % higher than the rate in the control group.

3.5.4 In Ireland, the *JobBridge* programme<sup>(17)</sup> provides work experience placements of 6-9 months in businesses for young people who have been claiming social benefits for at least 78 days. The interns receive EUR 50 per week in addition to their benefits. One issue here is that people who for instance have been in part-time work while in education are unable to benefit from the programme after their education has finished, since they are not claiming social benefits. The EESC believes that activation measures should be deployed at an earlier stage, as the long waiting time is likely to discourage people rather than motivating them to get into work.

3.5.5 The Scottish Council for Voluntary Organisations set up the *Community Jobs Scotland* programme in 2011. Targeted at young unemployed people, this programme involves third-sector organisations, which offer jobs lasting six to nine months in a range of sectors to young people with both higher and basic qualifications. The young people are given a real job, have to prove themselves in a recruitment process, and receive a wage and further training. Over 4 000 young people took part in the programme, 47,3 % of these getting a job directly and 63,6 % benefiting indirectly from further training and volunteering.

3.5.6 In Denmark, unions and the Employment Fund cooperate with public and private-sector employers to create traineeships for young people who have completed their education, so as to give them work experience and a specialisation in their field. On average, 60 % of those who have completed one of these traineeships find work, even if more precise figures will only be available when the project comes to an end in April 2014.

---

<sup>(16)</sup> <http://www.implacement-stiftung.at/>

<sup>(17)</sup> JobBridge.

3.5.7 An ILO-awarded Slovenian project, *Moje izkušnje* <sup>(18)</sup> ('My experience') forges links between students and employers by way of an online platform onto which students can upload their work experience, which is also accredited with certificates.

3.5.8 In Spain, the Novia Salcedo Foundation, a private, non-profit cultural organisation, offers a programme designed to accompany trainees as they complete a combination of theoretical instruction and practical work experience in a business. An evaluation has shown that more than 52,23 % of those who completed the programme were subsequently given a contract.

3.5.9 In the Czech Republic, employers and professional bodies are partners in the POSPOLU ('TOGETHER') project, which aims to change the way education is organised and to strengthen workplace-based learning by way of partnerships between schools and businesses and proposed changes to curricula. The project is focused primarily on courses in mechanical engineering, electrical engineering, civil engineering, transport and IT.

3.5.10 In Portugal, the Technological Centres network promotes two projects ('Think Industry' and 'F1 in Schools') focusing on the new industrial skills needed by the labour market, using a hands-on approach that involves boosting the use of tools and machines and providing the knowledge required to build a real mini F1 car and get the idea/project onto the market. Schools and industry have forged partnerships designed to change the image of industrial careers among young students and to direct them towards the needs of the market <sup>(19)</sup>.

3.5.11 Italy has a programme in place for the period 2014-2016 enabling pupils in the final two years of secondary school to spend time in companies, by making better use of the apprenticeship contract.

3.5.12 **Promoting mobility.** Promoting cross-border mobility of young people for work experience purposes can also help in closing the gap between purely theoretical training and a first job.

3.5.13 One example is the bilateral agreement between Germany and Spain, which is to provide employment and training opportunities for some 5 000 young Spaniards up to 2017; others are Germany's support programmes *The job of my life* and *Make it in Germany*, both of which aim to bring young people to Germany to do vocational training in areas with skills shortages. Participants are offered an introductory German course in their home country, an allowance for travel and moving expenses, and a language course in Germany in preparation for a traineeship. If the employer is satisfied at the end of the traineeship, a further three to three-and-a-half years of vocational training can be added, during which the training grant is supplemented with financial assistance and the young person receives support with classes, work and in their everyday life.

3.5.14 The *Integration durch Austausch* (Integration through Exchange) programme supports the vocational integration of groups which have difficulty accessing the labour market by offering them practical work experience in another EU country. The mid-term review of this programme co-financed through the ESF showed that six months after completing an exchange, 41 % of participants were in work, 18 % were in training, 7 % were at school and 4 % were studying.

3.5.15 Reform of EURES is imperative to improve the matching of labour market supply with demand. The EESC will comment on this in a separate opinion. However, it will be critically important for EURES to be used in all the Member States — and not just a select few — as an instrument of labour market policy and for vacancies also to be published there. The initiative *Your first EURES job* <sup>(20)</sup> is another good example of promoting cross-border mobility among young workers by helping them to find a first job (as opposed to training or work experience), offering financial assistance to cover the costs of taking a job in another country.

<sup>(18)</sup> <http://youthpractices.org/assessment.php>; p. 36.

<sup>(19)</sup> <http://www.f1inschools.com/>

<sup>(20)</sup> European Commission — Your first EURES job.

3.5.16 To better gear skills towards needs, it is essential that observatories be set up to anticipate and detect skills needs early on. This should take place at regional and/or sectoral level with the involvement of the social partners, so as to be able to respond quickly to the various economic and legal as well as technological changes; at this level there is also a better understanding of the requirements of businesses and the labour market.

### 3.6 *Labour market integration measures for disadvantaged young people*

3.6.1 Specific support must be given to young people with special needs so that they can get into the jobs market. In Austria such help is provided through the *Jobcoaching* <sup>(21)</sup> programme which helps people with disabilities or learning difficulties by providing individual coaching and support during their first few months in a new job. This support is seen as a service for young people, but also for businesses.

3.6.2 In Wales, the *Intermediate Labour Market* project was set up specifically for NEETs, offering young people who are most disconnected from the labour market a well-structured programme and employment opportunities. The aim is to motivate young people to find a job, and to provide them with general behavioural guidelines and basic skills, as well as help with job applications. Of the 249 participants, 35 have found employment.

3.6.3 An example of how to integrate people who are disconnected from the labour market is provided by the *Equality of Opportunity* <sup>(22)</sup> project of U.S. Steel Košice; this offers in particular Roma people from the Košice region employment and training, which is often their first contact with the world of work. Jobs have been found for over 150 Roma since 2002.

3.6.4 The Belgian *Activa* programme <sup>(23)</sup> provides relief on employer social security contributions as well as a wage subsidy for five quarters to young, low-skilled people under 25 who have been unemployed for at least 12 months.

### 3.7 *Measures to reform the labour market*

3.7.1 The Institute for the Study of Labour (IZA) reports that 'temporary employment contracts have been liberalised in many European countries since the 1980s to create new employment opportunities — without having to question the often extensive protection from dismissal' <sup>(24)</sup>. This has led to young people in particular increasingly being offered only temporary contracts without the possibility of transferring to permanent employment. While strong protection against dismissal rules ensure that long-serving employees are less likely than younger employees to lose their job during periods of crisis, in the uncertain economic climate they are also proving to be a barrier to the recruitment of young workers without experience, thereby exacerbating labour market segmentation.

3.7.2 The EESC recommends continuing efforts to reform the labour market in agreement with the social partners, in order to strike the right balance between flexibility and security, especially in Member States with very high youth unemployment. While reforms will only bear fruit in the medium term, they can make a key contribution to rapidly reducing youth unemployment in an economic recovery.

### 3.8 *Incentives for businesses to engage young people*

3.8.1 To make it easier for businesses to decide to engage young, inexperienced workers, it can be helpful to offer additional incentives, which often exist in the form of wage subsidies or relief on social security contributions. However, care must be taken that this does not have the effect of distorting competition or undermining social security systems. Examples include the aid granted to Cypriot businesses by the Human Resource Development Authority of Cyprus (HRDA) <sup>(25)</sup> to run traineeships for young workers. SMEs in particular can use this to meet the costs of necessary training and related production losses in the initial phase.

---

<sup>(21)</sup> NEBA — Jobcoaching.

<sup>(22)</sup> U.S. Steel Kosice — Equality of Opportunity.

<sup>(23)</sup> Belgium — Activa.

<sup>(24)</sup> IZA — Jugendarbeitslosigkeit in Europa.

<sup>(25)</sup> Cyprus — Scheme for the job placement and training of tertiary education.

3.8.2 The Finnish *Sanssi* card <sup>(26)</sup> certifies young unemployed people under 30, so that their employers to apply for a wage subsidy for ten months.

3.8.3 Hungary has chosen to incentivise businesses to employ unemployed under-25-year-olds in the form of relief on gross salary and social security contributions for a given period.

3.8.4 In Italy, there is a 12-month social-insurance incentive for companies that hire, on a permanent contract, young people aged between 18 and 29 who have not been in regular paid employment for the previous 6 months or do not have a secondary education or vocational training certificate.

### 3.9 Measures to promote entrepreneurship

3.9.1 One of the three pillars of the Entrepreneurship 2020 Action Plan <sup>(27)</sup> is entrepreneurial education and training to support growth and business creation. The Entrepreneur's Skills Certificate <sup>(28)</sup> gives young people an education in finance and business; the certificate is awarded after examination, and is a valid substitute for the exam required in Austria to be self-employed.

3.9.2 The *Junior Company Programme* helps pupils aged 15-19 set up real companies for one school year, selling products and services they have developed themselves on the real market, which gives them direct experience of business skills.

3.9.3 The *Extraordinary Education*<sup>TM</sup> project allows young people to try out a business idea in a relaxed environment and teaches them basic business and communication skills in a way that does not depend on age or language.

3.9.4 In Romania, to ensure access to financing for new companies and encourage the creation of jobs, new business start-ups are exempt from registration costs. Tax relief is also granted for 2-4 employees, a loan of up to EUR 10 000 is available (to cover 50 % of the business plan), and government guarantees provided for 80 % of loans taken out. Between 2011 and March 2014, a total of 12 646 SMEs were set up and 22 948 jobs created. Only 188 SMEs were subsequently wound up. This successful programme is being continued in 2014.

Brussels, 4 June 2014.

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

---

---

<sup>(26)</sup> Finland — *Sanssi* card.

<sup>(27)</sup> COM(2012) 795 final.

<sup>(28)</sup> Austria — Entrepreneur's Skills Certificate.

**Opinion of the European Economic and Social Committee on ‘Transatlantic trade relations and the EESC’s views on an enhanced cooperation and eventual EU-USA FTA’**

**Own-initiative opinion**

(2014/C 424/02)

Rapporteur: **Jacek KRAWCZYK**

Co-rapporteur: **Sandy BOYLE**

At its plenary session on 11 July 2013, the European Economic and Social Committee, acting under Rule 29 (2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

*Transatlantic trade relations and the EESC’s views on an enhanced cooperation and eventual EU-US FTA*

The Section for External Relations, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 20 May 2014.

At its 499th plenary session, held on 4-5 June 2014 (meeting of 4 June 2014), the European Economic and Social Committee adopted the following opinion by 187 votes to 7 with 10 abstentions.

**1. Conclusions**

1.1 The Committee believes that a successful TTIP could be a significant factor in creating real growth and optimism. Given the general tardy recovery from the financial and economic crises of 2008, a balanced agreement could further the European economy’s return to economic growth and job creation.

1.2 The Committee welcomes the significant opportunities offered by a wide-ranging trade agreement between the EU and the United States, not only to expand trade and investment across the Atlantic, but also for its potential contribution to the development of enhanced global rules and standards that would benefit the multilateral trading system itself.

1.3 In view of the widespread and justified demand voiced by European citizens regarding complete transparency in the trade negotiations, the EESC draws the attention of the Council and the Commission to the need for consistent and scrupulous compliance with Article 218 of the TFEU, and its paragraph 10 in particular: ‘The European Parliament shall be immediately and fully informed at all stages of the procedure’.

1.4 In line with the Lisbon Treaty it is imperative that the Commission recognizes the institutional role of the EESC throughout TTIP negotiations. Full transparency and consultation with the Committee and other civil society stakeholders is essential if any agreement is to command broad based public support. Texts must be shared with stakeholders at the earliest possible stage.

1.5 It is important that the benefits of TTIP are spread evenly throughout the business community, workers, consumers and citizens.

1.6 As negotiations unfold and the findings of Impact Assessments become known, statistical projections and economic forecasts must be updated and monitored.

1.7 Major benefits from TTIP will lie in the regulatory field. The strong undertakings given by both parties that TTIP is not about lowering existing standards is of critical importance. Delivery on this commitment will be crucial to achieve broad based public and political support. The Committee reserves the right to judge the eventual outcome in the light of all these considerations.

1.8 Unlike almost all other bilateral trade agreements the potential savings and benefits in TTIP lie in Non-Tariff Barriers. Although only approximately 20 % of savings are likely to come from Tariff reduction, there are spikes in certain key industries which must be addressed. In the area of market access reciprocity is important.

1.9 A robust Trade and Sustainable development Chapter is essential and is an ingredient which will be closely anticipated by Civil Society on both sides of the Atlantic.

1.10 Trans-Atlantic investment can play an important stimulus in delivering growth. The proposal to include an Investor State Dispute Settlement (ISDS) procedure has raised considerable public concern on both sides of the Atlantic. The Commission has launched an online public consultation '*Investment Protection and ISDS in the TTIP Agreement*' and it is essential that there is a transparent and inclusive dialogue at the end of this process. The EESC can play an important role in facilitating this.

1.11 TTIP has generated huge interest from all aspects of Civil Society in EU and US. The EESC has already established excellent contacts in with US business, trade union, agricultural, consumer and environmental organisations. There is a clear willingness to maintain and develop this position and the EESC is well placed to promote and encourage ongoing dialogue and cooperation.

1.12 The Committee welcomes the fact that an EESC monitoring group of 3 members will be given access to documents on equal footing to the Expert Advisory Group established by the Commission. The Committee considers this as recognition of its role as an official advisory institution under the Lisbon Treaty.

#### *Recommendations*

1.13 TTIP must be recognised by the EESC as an ongoing priority for the entire duration of the negotiations and the implementation of any agreement. The EESC must monitor closely all aspects of the TTIP negotiations. A project based approach should be adopted and areas most beneficial for future work identified in consultation with EU/US Civil Society and the European Commission.

1.14 The approach to regulatory coherence should be ambitious and transparent with best practices being the base for negotiations. It is essential that the guarantees given by both parties that there will be no diminution of standards is adhered to.

1.15 The agreement should include effective mechanisms and regulatory cooperation to facilitate early consultation on new regulations which could impact on the interests of either party. This must not prejudice the right of the EU, its Member States or the US to regulate to the level they deem appropriate on issues such as health, consumer, labour and environmental protection.

1.16 Both parties should be ambitious over tariffs and strive for their elimination and/or phasing out, including those in sensitive areas. This must be done in a mutually beneficial manner.

1.17 The pursuance of bilateral trade negotiations should not weaken the EU's commitment to the WTO and a strong multilateral global agreement.

1.18 A strong and robust Sustainable Development Chapter must be an essential component in the Agreement. Essential components of this are:

- The parties must reaffirm their obligations arising from membership of the International Labour Organisation (ILO);
- The eight core ILO Conventions as endorsed by the WTO Singapore Declaration in 1996 must set the minimum basis;
- The reaffirmation of a common commitment to implement effectively promote and enforce legislation and initiatives in the area of environment;

- A commitment to ensure and promote conservation, sustainable use, management of natural resources and core Multilateral Environmental Agreements.

1.19 The EESC should facilitate a broad based dialogue on the issue of ISDS on the completion of the Commission's Consultation on '*Investment Protection and Investor-to-State Dispute Settlement in TTIP*'. To assist in this the European Commission should clarify how it is going to assess and take into account the results of the consultation and provide a preliminary definition of terms such as 'frivolous', in relations to the declared scope of 'eliminating frivolous claims', or 'public purpose' with respect to the exceptions foreseen for the ban on expropriation".

1.20 The EESC as a part of its ongoing project work on TTIP should produce an own initiative opinion on ISDS.

1.21 The EESC supports the inclusion of a Chapter dedicated to SME issues.

1.22 The specificity of the public services must be preserved in accordance with the obligations of the Treaty of Functioning of the European Union.

1.23 Securing reliable supply of energy and access to strategic raw materials is of crucial importance. TTIP should also promote energy efficiency and renewables and guarantee the right for each party to maintain or establish standards and regulations in this field while working as far as is achievable towards convergence of EU and US domestic standards.

1.24 It is essential that equal access to public procurement is applied on both sides of the Atlantic. Any such provision must not undermine the ability of EU Member States, as well as of regional and local authorities, to pursue their own democratically agreed social and environmental policies.

1.25 Both parties to the agreement should recognise that the promotion and protection of consumer interests is paramount to achieving a broad based public support for any Agreement.

1.26 Existing EU agricultural and agri-food criteria must be taken into account, as well as respect for the precautionary principle enshrined in the Lisbon Treaty.

1.27 TTIP should find a practical way of achieving a legal certainty for the business based on Geographical Indicators.

1.28 The briefing sessions for civil society at the end of each negotiating round should be maintained for the duration of negotiations and should last until the latest consultation phase prior to initialling. Such briefing sessions would carry a far greater degree of public support if the European Commission were to make it clear that they are consultative and that the views expressed by stakeholders will be duly considered by the negotiators.

1.29 A strong joint civil society monitoring mechanism must be an essential component of any Agreement. This should establish an obligation for each party to consult representatives of domestic civil society through a dedicated Domestic Advisory Group (DAG) providing for balanced representation of economic, social and environmental interests. On the EU side, the EESC should be a key part in this mechanism. The DAGs should:

- have the authority to address recommendations to the domestic authorities and to the joint political authorities (e.g. Joint Trade and Sustainable development committee) of the agreement and these recommendations should be addressed by the political authorities effectively in a given timeline;
- be allowed to receive formal submissions from other civil society organisations regarding the implementation of the sustainable development chapter and to transmit them for response to the political authorities;

- be given the right to issue opinions and recommendations following third parties submissions;
- have the option, under certain conditions, to request that the parties launch a consultation or dispute resolution process in the event of failure to comply with the provisions of the sustainable development chapter.

1.30 It is also essential that there is a provision for the domestic monitoring mechanisms of the two parties to meet together at least once per year as a joint body in order to review the implementation of the sustainable development chapter and to address joint communications and recommendations to the parties.

1.31 The Trans-Atlantic Labour and Environmental Dialogues provided for by the Trans-Atlantic Economic Council must be activated. This is a reiteration of the call made by the EESC in its EESC Opinion issued in March 2009 <sup>(1)</sup>.

1.32 The EESC should establish an EU US Contact Group as an immediate priority.

## 2. Introductory background

2.1 In announcing the launch of talks on a comprehensive Transatlantic Trade and Investment Partnership between the USA and EU, a joint statement issued by European Commission President Jose Manuel Barroso, European Council, President Herman Van Rompuy and U.S. President Barack Obama explained that, 'Through this negotiation, the United States and the European Union will have the opportunity not only to expand trade and investment across the Atlantic, but also to contribute to the development of global rules that can strengthen the multilateral trading system.'

2.2 These statements highlight the potential of this agreement to set the standard in a multilateral context. In recent times the EU has opened, and in some cases concluded negotiations on a number of bilateral trade agreements. Whilst these may offer considerable potentials, the EESC reaffirms its strong preference for a robust multilateral agreement negotiated through the WTO. It is important that the EU continues to pursue this course and to build on the modest achievements of the 2013 Bali Ministerial Conference.

## 3. Political background

3.1 Tremendous political will exists on both sides of the Atlantic and on both sides of the US political divide to achieve a successful outcome to the TTIP negotiations. The aim should be to conclude the negotiations during the term of the current US administration.

3.2 The Committee reaffirms the commitment to the cordial and positive nature of the talks continuing towards a progressive outcome. We are encouraged by the reassurances of both sides that these negotiations will not result in lowering of standards. In view of the high sensitivity of this matter and the urgent calls for maximum transparency that the EESC has heard from the broad based civil society, the Committee will follow closely the negotiations and looks forward to an exchange of best practices in this regard.

3.3 The Committee notes that all stage of the negotiations, right up to any eventual agreement will need important support from the European citizens, 'directly represented at Union level in the European Parliament' (Article 10(2) of the TEU). The EESC therefore urges the Council and the Commission to comply scrupulously with the procedures set down in Article 218 of the TFEU, and its paragraph 10 in particular: 'The European Parliament shall be immediately and fully informed at all stages of the procedure'.

3.4 A considerable effort is needed by the negotiation partners to keep Civil Society regularly consulted and updated throughout the negotiation process. Full transparency is essential and it is of vital importance that texts are shared with stakeholders at the earliest possible opportunity, allowing for timely constructive comments to be submitted at a stage when their substance can be taken into account during the negotiating process. It would also assist a smooth transition when the new European Commission is appointed.

---

<sup>(1)</sup> OJ C 228, 22.9.2009, p. 32-39.

3.5 The transatlantic atmosphere has been soured by revelations concerning NSA spying. Linking the sensitive issue of NSA and the ongoing trade talks, German Chancellor Angela Merkel said in the Bundestag (18 November) 'The Transatlantic relationship and therefore also the negotiations for a free trade agreement are presently without doubt being put the test by remaining accusations against the US. The accusations are grave. They must be explained and, more important still for the future, new trust be built'. The European Parliament has approved a resolution <sup>(2)</sup>, which makes clear that Parliament's consent to the EU-US trade deal 'could be endangered' if blanket mass surveillance by the US National Security Agency (NSA) does not stop. The committee hopes that the problems in this area can be resolved by diplomacy and good will.

3.6 The TTIP negotiations will be a litmus test for re-establishing the necessary trust and it is important to recall the earlier positive note struck by the communication from the Executive Office of the President to the Speaker of the House of Representatives (March 2013) setting the tone for the negotiations: 'The potential gains overwhelmingly justify the effort'. It is in this spirit that the Committee approaches its own considerations.

#### 4. Studies on the economic, social, and environmental impact of the TTIP

4.1 It is right to be sceptical about the prospects for ultimate success, particularly in light of previous experiences, notably the 1998 initiative by Sir Leon Brittan, and the more recent Trans-Atlantic Dialogues in the 2000s. In order to ensure a mutual 'win-win' situation we need to look for joint studies to examine the prospects for mutual job creation more closely and where possible job losses might occur. However, new jobs will not appear without growth. The findings of the 2010 Copenhagen Economics study on the impact of outward EU FDI — which revealed that there would be no measurable negative impact on jobs — is also relevant in this context.

4.2 The EU should be ambitious to achieve a successful outcome to the TTIP negotiations. In the area of market access reciprocity is important. Recent studies <sup>(3)</sup>, including the impact assessment carried out by the Commission, show that benefits will only come from a comprehensive agreement.

4.3 Negotiations should build on existing successes. It is calculated that the EU/US relationship already supports a combined 13 million jobs and nearly \$3.9 trillion in investment, and represents 45 % of global GDP.

4.4 Some intensive statistical projection has already taken place. The Centre for Economic Research has speculated that a comprehensive agreement would lead to a GDP increase of EUR 119 billion in the EU and an increase of 95 billion in the US.

The Business Coalition for Transatlantic Trade has estimated the TTIP would create 0.5 million high paid jobs in the EU and the US.

4.5 However, there are less optimistic forecasts for example CEPR estimate that the majority of job creation will be in low skilled sectors, whilst high skilled jobs in electronics in the EU will particularly decline. They estimate 0,2 - 0,5 % of the EU labour force might have to change jobs as a result of economic restructuring caused by TTIP. It is important that such changes are recognised at an early stage and that appropriate action is taken in affected industries/Member States to recognise transferrable skills and to retrain this skilled workforce.

4.6 It is inevitable that the impact of a successful TTIP would be uneven; its impact would have national, regional and sectorial variables. Therefore, as the negotiations unfold statistical projections must be constantly updated and monitored; the promise must be checked against the developing reality.

4.7 It is vital that the Committee encourages and keeps up-to-date with any such necessary Impact Assessment Studies particularly in the areas of job creation, job mobility and job quality and application of technology.

---

<sup>(2)</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2014-0230+0+DOC+XML+V0//EN&language=EN>

<sup>(3)</sup> See 'Reducing Transatlantic Barriers to Trade and Investment — An Economic Assessment' — Centre for Economic Policy Research, London, March 2013. [http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc\\_150737.pdf](http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf)

4.8 Such studies are already part of the EU process (e.g. the Trade sustainability impact study conducted currently for the European Commission<sup>(4)</sup>) but it is paramount that this should be broad based, open, transparent, and inclusive of continuous civil society input. The Committee looks forward in turn to making its essential, regular contribution here. There should be permanent, constructive engagement and fundamental recognition of the civil society role throughout. This opinion forms the EESC initial contribution to this.

4.9 The Committee reserves the right to judge the eventual outcome in the light of all these commitments.

## **5. Eliminating tariffs in transatlantic trade**

5.1 Despite relatively low tariffs, there are some tariffs peaks for sensitive products on both sides of the Atlantic such as tobacco, textiles and clothing, sugar, footwear, dairy products and some vegetables. In addition, the US maintains high tariffs on food preparations, fish and meat preparations, preparations of cereals, pasta and chocolate. For operators from these sectors, elimination of tariffs could be a particular incentive to involve in exporting activities.

5.2 In addition, transatlantic trade is characterised with a significant amount of intra-firm trade and trade in intermediate goods. End products are often a result of a fairly complicated supply chain in which even small tariffs could have significant effect on product competitiveness. Therefore, the highest possible number of duties should be eliminated from day one of the agreement. For the remaining duties the transitional period should not exceed 5 years.

## **6. Bridging fundamental differences to regulation and standard setting**

6.1 It is commonly acknowledged in both the US and the EU that major potential from TTIP is in the regulatory field. The EESC welcomes the strong commitment given by EU chief negotiator Ignacio Garcia Bercero that 'these negotiations are not — and I repeat: are not about lowering standards.'

6.2 This is a fundamental point for the EESC and it is against the background of this statement and the fact that it was also reiterated by the US chief negotiator Dan Mullaney at the civil society briefing in November 2013, that the EESC does not in this Opinion highlight some of the many concerns which would emerge if this commitment was not upheld in its entirety.

6.3 The US is not only the EU's largest trading partner, but is also a like-minded partner with whom we share many ideals and values. The commonalities between the EU and the US far exceed our divergences. This is a rare situation — and an excellent basis for an ambitious outcome. In order to unleash the full potential of exports we should focus on eliminating and resolving non-tariff barriers in a mutually beneficial manner, while maintaining the current level of citizens, consumer, labour and environmental protection and standards. We should build on this.

6.4 However, differing approaches to regulation/standard setting exist and will need much deeper examination in a number of sectors such as chemicals, food safety, agriculture, motor vehicles, cosmetics, textiles-clothing and pharmaceuticals. It should be possible in many areas to achieve mutual benefits through greater regulatory coherence, harmonisation, and mutual recognition of testing and conformity assessment in order to achieve similar outcomes from similar processes. Any of the routes still should follow international standards.

6.5 In the interest of trade facilitation modernisation of procedures and customs cooperation should lead to simplification and to elimination of unnecessary charges and inspections.

---

<sup>(4)</sup> <http://www.trade-sia.com/ttip/>

6.6 An essential feature of closer regulatory cooperation between the EU and US should be to promote and exchange best practice and improve the safety, health and economic well-being of people on both sides of the Atlantic.

6.7 The same level of ambition should guide the negotiations on technical barriers to trade (TBT), where a 'TBT-plus' chapter, inspired by the objective of not lowering the standards, could be one of the ways to promote confidence in our respective regulatory systems.

6.8 Include effective mechanisms to prevent new barriers via early consultation on regulations that could have significant impact on industry in the US or in the EU, provided this gives the possibility for input to all interested parties. This must not prejudice the right to regulate in accordance with the level of health, citizens/consumer protection and labour/environmental standards that the parties deem appropriate for reason of public interest.

6.9 It is important that regulatory decision making practices on both sides of the Atlantic, as well as regulatory cooperation among the US and the EU, is based on a number of principles such as transparency, accountability and policy making that takes its evidence in an unbiased and open manner from all corners of society.

6.10 The differences between the parties in rules and standards could be greatly reduced in future regulations through broad based early dialogue and consultation, which has the potential to minimise differences and reduce costs to both producers and consumers.

## 7. Sustainable development and differing standards

7.1 The EU and the US play an important role in the discussion about sustainable development at global level, as well as in international cooperation helping to achieve the related goals. At the same time, it is important for both the EU and the US to work towards sustainable development in its three pillars (economic growth, social development and environmental protection) for the welfare of their own people. In this context, TTIP and in particular its part related to trade and sustainable development will provide an opportunity for the EU and the US to reiterate their commitment to support sustainable development through their respective policies, as well as through the enhanced trade and investment flows, dialogue and cooperation in the framework provided by the future Agreement.

7.2 Since December 2009, in line with the Lisbon Treaty<sup>(5)</sup>, the EU has sought to include a trade and sustainable development chapter in every trade agreement that it negotiates. This is strongly supported by the EESC, as well as by the EP.

7.3 It is important for the new agreement to reaffirm the right of the parties to regulate and to establish their own sustainable development priorities, policies and laws in line with the Parties' commitments to international standards and agreements.

7.4 The frequently quoted Commission commitment that EU Health, Safety, Environment, Labour and Consumer Protection standards will not be lowered is to be welcomed. The EESC should also monitor this to make sure that this assurance is not being undermined.

7.5 We should expand on this setting out the key concerns and suggesting a positive way forward, including among others social issues. TTIP must be recognised by the EESC as an ongoing priority for the entire duration of negotiations and the implementation.

7.6 The Parties should reaffirm their commitment to effectively implement and enforce their legislations in the area of labour. They should also reaffirm their obligations arising from membership in the International Labour Organisation (ILO), including from the ILO 1998 Declaration on Fundamental principles and rights at work binding upon all ILO Members. The eight core ILO Conventions (as endorsed by the WTO 'Singapore Ministerial Declaration' in 1996 must remain the minimum basis of the social aspects of any sustainable development chapter for TTIP as they have done for all recent EU FTAs<sup>(6)</sup>).

---

<sup>(5)</sup> Article 207 of the Treaty on Functioning of the European Union (TFEU) outlining principles of the EU commercial policy, Article 3 (5) of the Treaty on the European Union (TEU) and Article 21 TEU outlining general principles of the EU external action referring also to EU's support to trade and sustainable development.

<sup>(6)</sup> OJ L 127 14.5.2011, pages 62-65.

7.7 The EU has always promoted the 'social agenda' in completing its own internal market and indeed the EESC is a living example of the EU's commitment to dialogue and consensus. Whilst paying respect to the USA's somewhat different social model, the EU should nonetheless strongly foster and protect its own model based on social solidarity.

7.8 The Parties should acknowledge the importance of global environmental governance and rules to tackle environmental challenges of common concern. They should reaffirm their commitment to effectively implement and enforce their legislation in the area of environment. In addition, the Parties should reiterate their commitment to continue taking steps to ensure and promote conservation, sustainable use and management of natural resources. In this context, the Parties should also reiterate their commitment to Multilateral Environmental Agreements (MEAs).

7.9 TTIP should also provide an opportunity for the EU and the US to further promote trade and investment supporting sustainable development, for instance liberalisation of trade in environmental goods and services (in line with the initiative announced in Davos on 24 January 2014, to which both Parties belong), the promotion of corporate social responsibility and others.

7.10 In comparison with the US the EU has not to date included Labour and Environmental issues covered by the Sustainable Development Chapter under the general dispute settlement procedure. Instead these are submitted to a consultation procedure which cannot result in trade sanctions. The logic behind this position is unclear and the EESC calls on the Commission to clarify.

## 8. Investment

8.1 The EU now has competence in Investment following the entry into force of the Lisbon Treaty. A new agreement would replace all the existing individual Bilateral Investment Treaties (BITs) between the US and nine MS.

8.2 At multilateral level the EU and US are parties to the WTO Agreement on Trade-Related Investment Measures (TRIMs). However, this applies only to measures that affect trade in goods but not services or other key areas that have developed in the last 20 years. In addition the EU and the US have reached an agreement in April 2012 on an ambitious set of investment principles and invited other countries to follow suit.

8.3 The question of the inclusion of an ISDS mechanism has raised a great public interest and concern on both sides of the Atlantic. We welcome the recognition by the Commission of the considerable amount of public concern arising from aggressive litigation<sup>(7)</sup> and the decision of the Commission to hold a separate public consultation on investment protection and ISDS, following high level of public interest. This public consultation exercise launched on 27 March 2014 is a good example of encouraging civil society input in the negotiations.

8.4 The EESC considers it essential that any ISDS provision proposed in the TTIP does not hinder the ability of the EU Member States to regulate in the public interest. The Committee take note of the effort towards more transparency and will produce an own initiative opinion on ISDS.

8.5 In Paragraph 8 of its Factsheet issued on 3 October 2013 the Commission sets out proposals to stop potential abuse of ISDS proceedings. The Committee considers that a lack of clarity persists on the definition of several terms such as, among others 'frivolous claims' and 'public purpose'. It is essential that a proper definition be established as a matter of urgency.

8.6 The EESC considers it important that the EU's negotiating position foresees several conditions for inclusions of the ISDS in the agreement, one of which being that the respective provisions of the agreement allows Member States to 'pursue legitimate public policy objectives such as social, environmental, security, consumer protection, stability of the financial system, public health and safety in a non-discriminatory manner'. It is important that this statement is a guiding principle for the EU negotiators and should be clearly mentioned in the agreement.

---

<sup>(7)</sup> Aggressive litigation is being currently pursued by private corporations against sovereign states, e.g. *Veolia vs. Egypt* and *Philip Morris v Australia*.

## 9. SMEs

9.1 In the European Union and the United States, SMEs and start-up enterprises are critical motors of growth and job creation. Over 20 million companies in the EU and 28 million in the US are SMEs. On both sides of the Atlantic, SMEs are an important source of innovation, new products, and new services, and are already benefitting from transatlantic trade.

9.2 The TTIP will be especially valuable for SMEs, given that trade barriers tend to disproportionately burden smaller firms, which have fewer resources to overcome them than larger firms. Potential TTIP benefits for SMEs include tariffs, regulatory issues and non-tariff barriers, services, electronic commerce, government procurement, customs and trade facilitation, and intellectual property rights.

9.3 The EESC supports the inclusion of a chapter in TTIP dedicated to SME issues. Such a chapter could establish mechanisms for both sides to work together to facilitate SMEs' participation in transatlantic trade. Provisions could also include an SME committee that would engage with the small business community and the development of web-based information and other resources to help SMEs understand the provisions of the agreement and how they can benefit from it.

## 10. Consumer interest

10.1 Consumer confidence is critical to the success of TTIP. It would lead to consumer spending with a positive knock on effect on growth and jobs. It is therefore crucial that consumers are provided with the guarantees which generate trust in the transatlantic market. The clear statement that there will be no lowering of existing standards is an important start. The challenge is turning that commitment into a reality, providing a clear legal framework to avoid that such lowering can take place and keeping, among other initiatives, civil society duly and timely informed on the process of regulatory convergence. Provisions should be included also to preserve the right of citizens to ask for enforcement of such provisions if infringed.

10.2 There is concern that opening up borders and removing trade barriers could lead to a greater spread and impact of contaminated foods. The TTIP offers an excellent opportunity to develop a one alert system that covers both EU and US. The objective would be to improve consumer protection and to minimise negative effects on trade if any such outbreak occurs.

10.3 Traceability of food ingredients and their derivatives is essential to ensure safety, quality and informed consumer choice. TTIP presents an opportunity for the EU and US to better understand the complex global food supply chains and networks and develop robust, compatible, interoperable approaches to ensuring traceability and food authenticity, including animal identification systems.

10.4 Mandatory reporting schemes and exchange of information on new products should be established to keep track of the introduction to the marketplace of manufactured nanomaterials for which an extensive inventory, open to public scrutiny, should also be established.

## 11. Services

11.1 Many statistical data demonstrate that the increase of trade and investment in the service sector could be one of the major potentials for growth. Therefore, it is important to negotiate meaningful services commitments (including financial services) on both sides. Improved market access is considered as a priority for EU businesses.

11.2 The negotiations must also take fully into account the specificity of the public services in the EU which must be preserved in accordance with the obligations of the Treaty of Functioning of the European Union.

11.3 Regulatory cooperation should also cover services and should provide for better cooperation between regulators, greater transparency and the elimination of unnecessary and burdensome requirements.

## **12. Agricultural and agri-food sectors**

12.1 The agreement should be ambitious regarding sanitary and phytosanitary (SPS) issues, where the US and the European Union should seek to negotiate an ambitious 'SPS-plus' chapter.

12.2 Farming and food production methods are developing under quite different circumstances in the US and the EU (e.g. animal welfare, food safety regulations, use of crop protection products). In the United States, decisions on the marketing of products are based on purely scientific considerations whereas in the EU this type of decision is based on the 'precautionary principle'. This difference in approach has to be taken into account in the negotiations.

12.3 The Commission previously mentioned commitments not to lower EU standards, including those conserving consumer protection should make us alert to food safety issues (GM information, hormones in food, chemically cleaned food etc.), while ensuring systematic compliance with the precautionary principle (which is enshrined in the Lisbon Treaty). Efforts to improve compatibility of the US and EU regulatory systems should respect the high level of food safety standards on both sides of the Atlantic.

## **13. Public procurement**

13.1 Public procurement is a particularly sensitive issue in which however the EU should have more offensive approach as the US companies currently benefits more from the openness of the EU market than vice-versa. It is essential that in any agreement equal levels of access to public procurement are applied on both sides of the Atlantic.

13.2 Negotiators need to ensure that the right of EU Member States, as well as of regional and local authorities, to pursue their own democratically agreed social and environmental policies will not be undermined.

## **14. Data protection**

There is concern that TTIP could lead to a weakening of data privacy rules in the EU and USA, laying citizens open to their data being threatened and privacy infringed. In line with the commitment referred in 6.1 it is vitally important that there is no diminution of standards of protection in this area and that EU citizens are guaranteed the same level of protection under current EU data protection law when engaging with companies located in the USA.

## **15. Energy and Strategic Raw Materials**

15.1 Securing reliable supply of energy is of crucial importance. Throughout TTIP consideration must be given to developing provisions on the security of energy supply and of strategic raw materials designed to identify existing and upcoming supply and infrastructure bottlenecks that may affect energy trade, as well as mechanisms to handle supply crises and disruptions.

15.2 Energy efficiency and the promotion of renewable energies are a fundamental aspect of the energy policy of the EU and the US. The TTIP should promote these objectives and should guarantee the right for each party to maintain or establish standards and regulation concerning e.g. energy performance of products, appliances and processes, while working, as far as possible, towards a convergence of domestic EU and US standards.

## **16. Geographical indicators**

The EU exports towards the US high value added products in which the system of Geographical indicators (GI's) is playing a key role. This system protects EU products from imitations, frauds and avoids misleading of the consumers. The Agreement should find a practical way of achieving a legal certainty for the business based on Geographical indicators.

## 17. Role and involvement of civil society

17.1 The EESC welcomes the now established process whereby a full civil society debriefing takes place after each round of the negotiations as a very valuable process. It is vitally important that all stakeholders continue to be consulted and that the EESC is accepted as a vital component of this process. However, there is a concern amongst Civil Society that negotiation texts are unnecessarily confidential which obstructs the information process. This could seriously undermine public confidence in and support for any negotiated TTIP agreement.

17.2 The Transatlantic Economic Council and the deficiencies and disparities between the 5 Transatlantic Dialogues (Businesses, Consumers, Legislators, Labour and Environment) were well highlighted in the EESC Opinion issued in March 2009 <sup>(8)</sup>. As it is demonstrated by the Transatlantic Business and Consumers Dialogue these bodies properly established and operating have the potential to make an important input to the negotiating process. The EESC therefore reiterates a call for the activation of the Transatlantic Labour and Environmental Dialogues.

17.3 As stated above, the TTIP is not without apprehensions as well as promise, and the role of civil society will be pivotal in the eventual approval, or not, of the results of the negotiations.

The new generation of bilateral trade agreements entered into by the EU have all made provisions for a civil society monitoring mechanism.

17.4 Each of these mechanisms will be *sui generis*, depending on the actual circumstances. However, EESC is adamant that such a mechanism be found specific for the TTIP as soon as possible and that the EESC is consulted regarding its format.

## 18. Role of the EESC

18.1 It is imperative that the EESC's institutional role throughout the TTIP negotiation process is recognised and a regular dialogue between the EESC, the European Commission and the European Parliament is maintained throughout the negotiation process.

18.2 The Lisbon Treaty reaffirms the role of the Committee as a bridge between civil society and other European Institutions, which is an essential part of the close cooperation between the EESC and the Commission. Given the potential significance of TTIP it is vital that:

- the Commission recognises this role and keeps the Committee in the loop on all aspects of the negotiating process. In this connection the EESC welcomes that a monitoring group of three EESC members will be given equal access to all documents provided to the DG Trade advisory group;
- an inclusive role for civil society is maintained throughout the negotiating process;
- a robust and fully representative joint civil society monitoring mechanism is established in any the post-agreement environment. The EESC must play a pivotal role in any such body.

18.3 Although the US does not have an equivalent structure to the EESC, the mission in February 2014 to Washington demonstrated a mature organised civil society structure within the USA. This is complementary to the three group structure that exists within the EESC. TTIP therefore presents an excellent opportunity for the EESC to take forward its previously established policy of developing transatlantic links with civil society. To this end it is recommended that an EU-US contact group be established as an immediate priority.

18.4 This opinion is the beginning and not the end of the EESC involvement in the TTIP process. It is recommended that there should be an ongoing EESC project in order to participate in monitoring the TTIP negotiation process on behalf of civil society. This could include e.g. further opinions, public hearings, seminars, conferences etc. on topics such as sustainable development, SME's, ISDS, public procurement and specific sectorial analyses.

Brussels, 4 June 2014.

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

---

<sup>(8)</sup> JO C 228 22.9. 2009, p. 32-39.

## III

*(Preparatory acts)*

## EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

499TH EESC PLENARY SESSION, 4 AND 5 JUNE 2014

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee – A vision for the internal market for industrial products’**

COM(2014) 25 final

(2014/C 424/03)

Rapporteur: **Denis MEYNENT**

On 7 March 2014, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee — A vision for the internal market for industrial products*

COM(2014) 25 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 14 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June 2014), the European Economic and Social Committee adopted the following opinion by 144 votes to 2, with three abstentions.

**1. Conclusions and recommendations**

1.1 The European Economic and Social Committee (EESC) welcomes the Commission's communication on a vision for the internal market for industrial products. This communication forms part of the welcome recent moves towards an EU-level industrial policy, as manifested in particular in the communication 'For a European industrial renaissance'.

1.2 In the EESC's opinion, technical standards for industrial products must be subject to open, democratic, transparent regulation with wide-ranging stakeholder involvement embracing, at the very least, businesses (including SMEs) employees or their representatives, consumers, and environmental protection NGOs. In order to put this opening up of the process into practice, it is justifiable to provide public support to help stakeholders that do not have the resources to take part in the work.

1.3 The scope of the public-interest 'essential requirements' that can be translated into technical standards should not be restricted to safety, security, and environmental and consumer protection. It should also include any public interest determined by democratic means to be legitimate, in particular social and environmental production conditions, the interoperability of technical systems, and accessibility for all users.

1.4 Technical standards must be reviewed and improved regularly, and all the more frequently in more innovative sectors. In the EESC's opinion, these changes must not be slowed down, but their impact on businesses — especially SMEs — must be kept to a minimum.

1.5 The impact of legislative proposals on SMEs should be evaluated in line with the Small Business Act <sup>(1)</sup>. SMEs should therefore not be granted exemptions from the regulatory standards, in part because such standards are intended to protect public interests that are independent of the size of the businesses designing or manufacturing the product, and in part to avoid creating a two-speed market.

1.6 The EESC supports the Commission's proposal to use Regulations, which are uniformly and immediately applicable throughout the EU, rather than Directives to harmonise industrial products; it also supports the idea of converting Decision 768/2008/EC of the European Parliament and of the Council into a Regulation with general application, which will simplify the regulatory structure and make it easier to understand, particularly for SMEs.

1.7 The EESC believes that abstracts of standards should be made available free of charge to any interested party, including SMEs.

1.8 The EESC suggests that the Commission should use a dedicated communications budget to disseminate widely — in the internal market and third-country markets — information on the quality and high standards of products that meet European standards, with the involvement of the stakeholders listed in point 1.2.

1.9 It is absolutely vital, when concluding free-trade agreements, to maintain the open, democratic and transparent nature of the current system for regulating technical standards relating to the industrial products market.

1.10 The EESC is in favour of establishing a centralised electronic database disseminating standards information relevant to a given product.

1.11 The EESC supports the idea of creating a mechanism for 'e-surveillance' of the single market, enabling good-faith whistle-blowers to inform the authorities confidentially of irregularities they have observed during the design, manufacture or import of an industrial product.

1.12 In the EESC's view, technical information relating to industrial products in paper form constitutes a permanent, authentic and tamper-proof form of contract, and electronic formats would only be considered suitable if they meet the same requirements.

1.13 The EESC notes that there are still some barriers to free movement and free competition on the internal market for industrial products. The EESC would like market surveillance to be strengthened. The Member States should be encouraged to move towards greater uniformity of penalties and comparable levels of — and technicality in — supervision of the market and the distribution of products and services, in order to increase consistency across Europe.

## 2. Introduction

2.1 In its communication, which follows on from the one published in October 2012, the Commission looks at possible developments in legislation on the internal market for industrial products in view of the internationalisation of trade, technical developments in products and the introduction of new products and technologies. It assesses the impact of the existing rules on the product market from the perspective of industries and operators in the single market, based on the findings of a public consultation and a number of case studies set out in the accompanying Commission staff working document (only available in English).

2.2 The Commission document describes the evolution of EU law on industrial products since the adoption, in 1985, of the 'new approach' to harmonised product legislation: the Union legislator lays down the 'essential requirements' in respect of safety, health, and environmental and consumer protection that businesses must comply with when putting products on the Union market that meet the highest possible level of protection (Article 114 TFEU). These 'essential requirements' are harmonised through standards established by European standardisation organisations on the basis of a mandate given by the European Commission.

---

<sup>(1)</sup> OJ C 376, 22.12.2011, p. 51.

2.3 Industrial products are defined as non-food products manufactured through an industrial process, but the communication focuses on those products that have not recently been subject to legislation, revision or evaluation. It does not cover very specific products, such as pharmaceuticals, that are handled separately.

2.4 According to the Commission, harmonisation has resulted in a significant increase in trade in the products concerned, which rose faster than total manufacturing value added between 2000 and 2012. Legislation at EU level has promoted economies of scale, as well as improving business competitiveness, by eliminating the compliance costs previously imposed by different national rules or, in some cases, by a lack of rules.

2.5 The rules laid down under this approach since 1985 have also boosted consumer confidence in European products.

### 3. General comments

3.1 One factor that is absolutely vital to the proper functioning of the internal market in industrial products is for consumers and professional users throughout the value chain to have confidence that such products meet 'essential requirements' of public interest. If this confidence is lacking, transactions will stop, the market will collapse, and only lower quality products will be left <sup>(2)</sup>.

3.2 These essential requirements comprise health, the safety of consumers and industrial workers, and environmental and consumer protection, and also more generally any public interest determined by democratic means to be legitimate, in particular social and environmental production conditions, the interoperability of technical systems, and accessibility for all users.

3.3 These 'essential requirements' are the result of a democratic policy-making process leading to laws or regulations, which gives them their legitimacy. The public authorities have the power to set the 'essential requirements' and ensure that they are met by all operators on the internal market.

3.4 In the EESC's view, technical standards for industrial products are the technical manifestation of these 'essential requirements' of public interest. They are therefore policy tools and should be given full consideration as such. They are, first and foremost, general policy tools for achieving a specified public-interest objective, including but not limited to those set out in Article 114 TFEU: the health and safety of users (consumers, or employees in a work environment); working conditions favourable to workers' productivity and motivation; conservation of sensitive, non-renewable or scarce natural resources (climate, minerals, the biosphere, wildlife, water); animal welfare; the confidentiality and integrity of communications and data; interoperability of components of complex systems, and others determined by democratic decision.

3.5 Secondly, they are also tools for industrial policy and for structuring the market. Compliance with a strict technical standard is a tool for differentiation and competitiveness on the international market, on the basis of quality rather than price. By anticipating future needs and market developments, standards help European industries to stay a step ahead, to be innovative, and to make their products less price-sensitive — and thus both to be profitable and to generate high-quality jobs. Where there are competing standards (particularly with regard to interoperability) in a given market, the choice of standard has an influence on businesses that will gain a competitive advantage from it — and thus on the location of the resulting economic activity and jobs.

3.6 This political aspect of technical standards for industrial products means that they cannot be regarded as the sole preserve of private interests and technical specialists. They must instead be subject to open, democratic, transparent regulation with wide-ranging stakeholder involvement and covering five stages in the decision-making process:

- whether standardisation is even appropriate;
- the intended objectives of standardisation;
- the technical means for achieving those objectives;
- monitoring compliance with the standard and market surveillance; and
- imposing effective, proportionate and dissuasive penalties for non-compliance.

---

<sup>(2)</sup> This effect was demonstrated by George Akerlof, winner of the Nobel Prize in Economics, in his 1970 article on used cars (Akerlof, George A. (1970)). 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism'. *Quarterly Journal of Economics* (The MIT Press) 84 (3): 488–500. doi:10.2307/1879431).

3.7 These regulations must be based on open, legitimate institutions that give all the stakeholders concerned real opportunities to influence the decision. In the EESC's view, the list of stakeholders with a legitimate right to contribute to this regulatory process is an open one, depending on the specific nature of the regulation (for example, a standard on the welfare of livestock will not involve the same stakeholders as one on the interoperability of digital communications equipment). The list must, however, at the very least embrace businesses (including SMEs), employees or their representatives, consumers, and environmental protection NGOs.

3.8 The fact that technical standards are tools of industrial policy and for competitiveness based on quality and anticipating technical, societal and environmental needs, and also sources of technical innovation, means that, in order to live up to this role, they must be reviewed and improved regularly — and all the more frequently in more innovative sectors. In the case of highly innovative sectors with strong development potential, the Committee recommends pursuing two objectives in parallel: that of ensuring the democratic and social legitimacy of the regulatory and standardisation process, as set out in points 3.2 to 3.7, and that of increasing the pace at which standards are drafted and then updated. The impact of such changes on businesses must, however, be kept to a minimum.

3.9 Finally, technical standards for industrial products are the preferred way of informing and educating (end and intermediate) consumers. They provide objective and stringent criteria by which consumers can independently assess whether the product meets their needs. Consumers armed with this information and education will be attuned to differentiation by quality, which will contribute to the non-price competitiveness of a European industry that relies on the excellent skills and motivation of its employees. These standards are thus a key element in the symbiotic relationship between high-quality industrial suppliers and demanding, exacting consumers.

#### 4. Specific comments

4.1 The use of directives to regulate harmonised standards, as has been the practice to date, both causes instability and entails constant — and often futile — adaptation by businesses. Indeed, it is liable to result in legislation that varies geographically from one Member State to another. This variation may seem minor, but it is significant when it comes to the degree of detail required to ensure that an industrial product complies with a standard. This geographical variation is compounded by variation over time, depending on the different dates when the directive is transposed into national law in each of the 28 Member States. This transposition period may last up to 36 months; given that updates to standards may be brought out with around the same frequency — or even more often in very innovative sectors — businesses are liable to find themselves permanently in the uncertainty and confusion of transitional periods.

4.2 In these circumstances — which are particularly problematic for SMEs that lack the resources to keep up with the regulations — the Committee very much welcomes the Commission's proposal that Regulations, which are uniformly and immediately applicable throughout the EU, should be used instead of Directives. The EESC feels that this arrangement is an extremely positive move: it should eliminate a major source of regulatory instability and enable research, development and innovation (RD&I) teams to work in an environment that is truly uniform for 500 million consumers and that remains stable over several years, moving at a pace appropriate to the level of innovation in each sector.

4.3 The same reasoning can also be used to demonstrate that, in terms of subsidiarity, the use of Regulations to set technical standards for industrial products is a case where action at EU level is clearly more effective than action at Member State level.

4.4 The EESC also supports the idea of converting Decision 768/2008/EC of the European Parliament and of the Council into a Regulation with general application. The establishment of a set of common definitions, terms and concepts that apply horizontally to all sector-specific technical standardisation avoids redundancy and repetition, makes it easier to amend documents, and follows good practices in technical writing.

4.5 It is a public-interest objective for a wide range of stakeholders to be able to contribute to the standardisation process at the five stages referred to in point 3.6 above. Some of these stakeholders, such as trade union organisations, SMEs, and environmental and consumer protection associations, have only limited resources. In the EESC's view, it is therefore justifiable to provide public support to help these stakeholders take part in the work, with voting rights, in order to put this opening up of the process into practice.

4.6 The EESC agrees that abstracts of standards should be made available free of charge. Ignorance of the law is no excuse, but businesses currently have to pay to access technical standards, without even knowing enough about the subject and scope of the standard to determine whether it applies to their specific situation. This is detrimental to SMEs, as well as to all interested stakeholders. The EESC therefore endorses this measure, and also calls for these abstracts to be made publicly available to any interested party.

4.7 The EESC is in favour of establishing a centralised electronic database providing a list of standards with which a given product complies and specifying how said compliance has been certified (in particular, whether it is based on self-certification or certification by an authorised third party). This database could send subscribers automatic e-mail alerts free of charge whenever the standards for a given product change.

4.8 The EESC supports the idea of enabling whistle-blowers to use a single market e-surveillance tool to inform the authorities confidentially of irregularities they have observed during the design, manufacture or import of an industrial product. Good-faith whistle-blowers need to be protected from possible repercussions or penalties, such as dismissal if they are employees. This system of collaborative, distributed market surveillance, using Web 2.0 technologies, will be able to improve the health and safety of users of industrial products throughout the EU and also protect businesses that comply with the rules from unfair competition from those that do not.

4.9 The EESC regards technical information relating to industrial products as a constituent element of the contract of sale, both in ensuring that the purchaser is making an educated and informed choice and, following the sale, in the event of defects, accidents or failure to achieve advertised results. It is certainly not 'unnecessary' and does not 'detract from the aesthetics', as claimed in the Commission's communication. On the contrary, it should be provided to the customer in a permanent, authentic and tamper-proof form that can still be read regardless of developments in available electronic tools over the lifetime of the product. This is why, in the EESC's view, paper-based documentation in the language of the country where the product is sold, available at the point of sale and provided in the packaging, meets these conditions, while electronic formats would only be considered suitable if they met the functional requirements set out above.

4.10 The EESC suggests that the Commission should use a dedicated communications budget to disseminate widely — in the internal market and third-country markets — information on the quality and high standards of products that meet European standards, with the involvement of the stakeholders listed in point 3.7. This would ensure that consumers and professional buyers were better informed of the benefits of choosing such products, hence providing a competitive advantage based on objective, reliable quality to products designed and manufactured in Europe, or in line with European standards, and thus to European businesses and workers.

4.11 The impact of legislative proposals on SMEs should be evaluated in line with the Small Business Act<sup>(3)</sup>. The EESC therefore fully supports the Commission's position that SMEs should not be granted any exemptions from the rules. The risks that a product presents to the health and safety of consumers or professional users, conservation of natural resources, and compatibility with existing technical systems are all public-interest objectives independent of the size of business designing or manufacturing the product. Moreover, there are entire sectors — particularly for certain consumer goods such as clothing and household goods — that are fragmented into a large number of SMEs. Relaxing the standard requirements for SMEs would be unacceptable, as it would effectively amount to an exemption for these sectors, which have a significant cumulative impact on consumption, and thus on the level of risk. Moreover, any such exemption would lead to the creation of a two-speed market in which products made by SMEs would (legitimately) be regarded as lower quality because they were subject to fewer or less strict standards; this would exacerbate their competitive disadvantage compared to products made by large groups that also have larger advertising budgets.

4.12 The EESC disagrees with the Commission's opinion that changes to standards could be so frequent that businesses were 'over-burdened'. The frequency with which standards are changed depends on the level of innovation in the sector and contributes to the non-price competitiveness of European industry; it must not be slowed down, but the EESC acknowledges that SMEs should be better informed about developments, if need be using the database referred to in point 4.7. Moreover, the Commission's response, involving changing standards by means of Regulations rather than Directives, is an appropriate and adequate solution to the concerns raised.

---

<sup>(3)</sup> OJ C 376, 22.12.2011, p. 51.

4.13 In the EESC's view, the concluding of free-trade agreements absolutely must preserve the historical experience that the EU's Member States have gained on the long road, started in 1993 and still not completed, towards a true single market in industrial products that takes full account of the political — and thus open, democratic and transparent — nature of the process of regulating technical standards for such products. The Committee therefore urges the Commission to establish, during the ongoing negotiations, a similarly open, democratic and transparent institutional framework for the five stages, as set out in point 3.6 above, of the process of standardisation and compliance monitoring. Standards for products and regulations and decisions that protect public interests, as well as penalties for failure to comply with them, must not be open to criticism as non-tariff barriers provided they comply with Community legislation and WTO agreements.

4.14 Efforts to achieve public-interest objectives by means of technical standards present specific, and as yet unresolved, difficulties in cases where value chains are international and extend beyond the scope of a single jurisdiction's rules. The EESC suggests that work in this area should focus primarily on obtaining and certifying reliable, objective data on the product and the physical and social process of manufacturing it. These data would then be passed down the whole value chain so that they could be compared against the 'essential requirements' in each jurisdiction, while fully respecting their sovereignty.

4.15 There are still some problems with regard to barriers to free movement and free competition, including patents relating to technical standards, and the effectiveness of checks on the implementation of standards and legislation.

4.16 Where a patent has been granted for an innovation that has become a technical standard, it is vital for competitors to be able to obtain the necessary licences at a reasonable price. Intellectual property law must protect innovation properly, without allowing patents and copyright to be used to block industrial competition and innovation; its role must therefore, in the Committee's view, be to promote free movement in the single market. The single European patent, to which the EESC attaches particular importance, will make a decisive contribution in this regard. However, the EESC notes that in certain non-European countries, including the United States, patents may be granted without an adequate novelty search, raising doubts as to their novelty; the acceptance of trivial patents raises concerns regarding their inventive nature; and the granting of patents relating to abstract concepts of 'look and feel' irrespective of the technical means of obtaining those characteristics runs counter to the very principle of patents, which relate solely to the means of achieving a result. These circumstances open the door to abuses of process in which European businesses are at a disadvantage.

4.17 Another problem is that the penalties are not always appropriate, proportionate or sufficiently dissuasive in penalising breaches of national or European technical standards.

Administrative and criminal penalties, and market supervision, are the responsibility of the Member States; there is a risk that their diversity may lead to 'forum shopping' when new products are introduced to the European market. The 'blue guide', RAPEX, the SOLVIT procedure, or other measures should therefore encourage greater uniformity of penalties, and comparable levels of — and technicality in — supervision of the market and the distribution of products and services, in order to increase consistency across Europe. The Commission, which initiates legislative processes and monitors their application by supervising the activities of the Member States, may bring proceedings before the EU courts in the event of non-compliance. It is, ultimately, up to the European courts to safeguard a degree of Europe-wide consistency in the Member States' legislation and in their monitoring of markets, products and services.

4.18 The EESC would like market surveillance to be strengthened.

4.18.1 In order to address the possible improper use of CE marking by ill-informed or unscrupulous producers, it would, in particular, be worthwhile to improve customs checks when products enter and are placed on the market and to ensure that the agents, importers and distributors concerned meet their obligations to bring these products into compliance, in accordance with applicable Community law. The inclusion on CE labels of a reference number for the legally liable party, which could be used to find their legal identity and the compliance file online, could contribute to this process of checking compliance, including by consumers acting as whistle-blowers (see point 4.8).

4.18.2 In a context of budget austerity, the EESC would draw attention to the need to give the authorities responsible for market surveillance the resources they need to do their job, and to focus their activities on hotspots for attempted fraud (ports, hard-discount retail, or itinerant traders), while at the same time bolstering administrative cooperation, particularly as regards the fight against counterfeiting. The whistle-blowing mechanism referred to in point 4.8 could improve their effectiveness, at little cost to the public purse.

4.18.3 The EESC is concerned that certain industrial economic operators may have so much impact on a Member State's economic activity and employment that they could force the national administration to waive any penalties by threatening to relocate — thus endangering consumers and leading to unfair competition for businesses and employees throughout the EU.

4.19 In the Committee's view, it is possible to use regular reporting obligations and research on the ground to monitor product developments very closely; consumer organisations and workers' organisations are in a good position to act as whistle-blowers with regard to health and safety issues in particular, and they should be involved as stakeholders at all levels of drafting and implementing standards.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the Proposal for a Regulation of the European Parliament and of the Council on an European network of Employment Services, workers' access to mobility services and the further integration of labour markets**

COM(2014) 6 final — 2014/0002 (COD)

(2014/C 424/04)

Rapporteur **Ms DRBALOVÁ**

Co-rapporteur **Mr Pariza CASTAÑOS**

On 3 February 2014, the European Parliament and on 6 February 2014, the Council decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Proposal for a Regulation of the European Parliament and of the Council on an European network of Employment Services, workers' access to mobility services and the further integration of labour markets*

COM(2014) 6 final — 2014/0002 (COD).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 May 2014.

At its 499th plenary session, held on 4-5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 116 votes to none with 1 abstention.

## **1. Conclusions and recommendations**

1.1 The EESC supports the Commission's proposal to replace Regulation 492/2011 and Implementing Decision 2012/733/EU with a single instrument that will increase transparency, enable effective automatic matching, define support services, introduce a system for sharing information about labour force shortages and surpluses, and operate on a basis of non-discrimination and equal treatment.

1.2 The EESC recommends that the EC defines fair mobility under Article 2 *Definition* in the light of new mobility patterns and the greater need for fair mobility. This definition has to be balanced. As a base the EC could use the already existing wording of section 2 in the Regulation 492/2011, and at the same time express its intention to ensure full support for people who wish to exercise their right to work in other Member States based on their informed choice.

1.3 The EESC understands the Commission's intention to provide a nearly complete supply of vacancies on the EURES portal by extending the transparency principle to organisations other than the Public Employment Services (PES) through the voluntary participation of EURES partners in the EURES network on the basis of common minimum criteria. However, it sees risks if it is not ensured that private service providers have to meet the same quality standards as Public Employment Services. In any event, Member States may introduce criteria additional to those laid down in the Annex if deemed necessary, though these must on no account be discriminatory. Under no circumstances should participating private service providers be allowed to charge for their services.

1.4 The EESC encourages the Member States to systematically make available basic information about the EURES network and its specific support services, particularly for border workers and young people, and to communicate and promote better the EURES services.

1.5 The EESC welcomes the stress on the development and support of cross-border cooperation and the proposal to use a one-stop shop for communicating with cross-border workers and employers in border areas. It recommends strengthening the role of EURES-T partnerships.

1.6 The EESC calls for coherence and synergies with EU policies to promote mobility, especially regarding the creation of a network of public employment services (PES) and measures to foster free movement of workers and of citizens and their families within the EU. When it comes to implementing the Youth Guarantee, the Committee supports extending the scope of the EURES network to those categories of citizens seeking apprenticeships, work-based traineeships or any other opportunities involving an employment contract, as long as this is in line with Articles 45 and 46 of the TFEU, to allow those workers to stay in a Member State for the purpose of employment in accordance with the provisions governing the employment of nationals of that State laid down by law, regulation or administrative action.

1.7 The EESC also reiterates that, in view of the expanded EURES remit and new roles in support services, the National Coordination Offices should have enough personnel and other resources to carry out their work, including good staff training schemes.

1.8 The EESC calls on the Member States to make use of the Commission's technical support and to respect the deadlines for establishing an initial inventory of their national classification systems. This will make it possible to compare all classification data with the European classification for skills/competences, qualifications and occupations (ESCO).

1.9 The EESC welcomes the fact that the new financing system should not jeopardise the role of EURES cross-border partnerships, and believes that these should continue to be supported through horizontal Union-wide activities, with the possibility of being complemented by national resources or by the ESF.

1.10 When it comes to the gathering of data and indicators, the EESC points out the need for sensitivity in how the regulation establishes the rights and obligations of Member States in relation to the transfer of information and statistics on, for example, mobile workers where no systems are available for monitoring some indicators. The Committee proposes that the quantitative indicators be complemented by qualitative ones.

1.11 The EESC draws attention to the crucial role of the social partners at all levels as principal labour market stakeholders. It calls for them to be made full partners, with roles embracing advice and help to businesses and workers and information about company matters and working conditions. Member States should put in place systems enabling the social partners to participate effectively in the national coordination offices, taking into account national practices and legislative systems.

1.12 The EESC calls on the Commission to present an adequate legislative package to improve the coordination of social security systems and the recognition and transfer of rights acquired by employees.

1.13 Concerning data protection the EESC recommends that the EC take into consideration the recommendations of the Opinion of the European Data Protection Supervisor (EDPS) of 3 April 2014.

## 2. Introduction

2.1 The EU economy has seen a return to growth, with unemployment levels relatively stable since mid-2013 <sup>(1)</sup>. Long-term joblessness is still on the increase due to the persistence of the crisis. Youth unemployment stands at alarming levels and poverty among the working population is also rising <sup>(2)</sup>.

---

<sup>(1)</sup> COM(2013) 801 final.

<sup>(2)</sup> COM(2014) 12 final.

2.2 The situation urgently requires the deployment of all measures and instruments to boost the openness and dynamism of Europe's labour markets, to better match supply and demand and to increase labour mobility within the EU. Increased intra-EU mobility will widen employment opportunities for workers and help employers fill vacancies better and faster <sup>(3)</sup>.

2.3 In the Agenda for New Skills and Jobs <sup>(4)</sup>, the Commission undertook to reform the EURES network to improve its matching and placement capacity in the service of the European Employment Strategy (including the 'Your First EURES Job' initiative).

2.4 The undertaking to update EURES also appeared in the EU Citizenship Report <sup>(5)</sup> and meshes with other Commission initiatives to support free movement of workers in the EU <sup>(6)</sup>, the creation of a European Network of Public Employment Services (PES) <sup>(7)</sup>, the implementation of a package of employment measures <sup>(8)</sup> and all the instruments for getting young people into jobs <sup>(9)</sup>.

2.5 For the EESC, the free movement of workers on a basis of non-discrimination and equal treatment <sup>(10)</sup> and the removal of remaining barriers to mobility <sup>(11)</sup> remain one of the EU's priorities. It has called in a number of its recommendations for EURES <sup>(12)</sup> to be made a real instrument for matching supply and demand in the European labour market.

### 3. Gist of the proposal

3.1 The EURES network underwent some changes following a decision <sup>(13)</sup> taken by the Commission at its own initiative in 2012. However, Chapter II of Regulation 492/2011, which constitutes the European regulatory framework for the clearance and information exchange between Member States on intra-EU labour mobility, has barely been amended since 1992. With regard to the newly proposed Regulation the Charter on EURES will be revised <sup>(14)</sup>.

3.2 New forms of mobility and changes in technologies for sharing job vacancy data, together with the use of many and varied recruitment channels by job seekers and employers, the expanding role of labour market brokers, but also the growing number of workers determined to go abroad for work: all of this necessitates an urgent and comprehensive reform of how EURES works.

3.3 The most optimal option for achieving goals quickly and removing the shortcomings identified is to introduce a new regulation and create a separate instrument. The intention is that EURES become a real instrument for placing and recruiting workers based on non-discrimination and equal treatment. The network will gradually be expanded to include apprenticeships and traineeships (the 'Your First EURES Job' pilot project).

3.4 Before adopting the 2012 decision, and drawing on an appraisal of EURES carried out in 2010 <sup>(15)</sup>, the Commission conducted a consultation exercise on current shortcomings and a possible future trajectory for the network. The Advisory Committee on Freedom of Movement for Workers, which was to play a more active role in the process, was consulted on the proposal.

---

<sup>(3)</sup> Of the total European labour force of 241 million, only around 7,5 million (3,1 %) are economically active in another Member State.

<sup>(4)</sup> COM(2010) 682 final, 23.11.2010.

<sup>(5)</sup> COM(2013) 269 final.

<sup>(6)</sup> COM(2013) 236 final.

<sup>(7)</sup> COM(2013) 430 final.

<sup>(8)</sup> COM(2012) 173 final.

<sup>(9)</sup> COM(2012) 727 final.

<sup>(10)</sup> OJ C 341, 21.11.2013, p. 54-58.

<sup>(11)</sup> OJ C 228, 22.09.2009, p. 14.

<sup>(12)</sup> OJ C 67, 06.03.2014, p. 116-121; OJ C 214, 8.7.2014, p. 36-39.

<sup>(13)</sup> COM(2014) 6 final 2014/0002 (COD).

<sup>(14)</sup> SWD(2012) 100 Reforming EURES to meet the goals of Europe 2020, accompanying document to COM(2012) 173 final.

<sup>(15)</sup> COM(2010) 731 final.

3.5 The evaluation noted a number of fundamental failings in EURES. The most significant of these were: 1) an incomplete pool of job vacancies and CVs accessible at EU level for all Member States; 2) limited matching capacity of the EURES portal; 3) uneven access to EURES services across the EU; 4) limited availability to assist with matching, recruitment and placement for job seekers and employers, and 5) inefficient information exchange between Member States on labour shortages and surpluses.

3.6 EURES can no longer operate in its current form. All Member States have supported the idea of reorienting EURES and introducing a programming cycle and common indicators on EURES activities with a view to increasing transparency on performance, enhancing information exchange and improving the coordination of operations.

3.7 Basic information on the EURES network should be made available throughout the Union to any job seeker or employer seeking client services for recruitment. These should be offered access to the EURES network and the network's operations should be supported through information exchange on national labour shortages and surpluses.

3.8 The aim of the proposal is to achieve a situation in which the EURES portal has a nearly complete supply of job vacancies, with job seekers all over Europe having instant access to the same vacancies. At the same time, there will also be a complete pool of CVs available from which registered employers can recruit.

3.9 It will be important to make sure that the EURES portal can perform sound automated matching between job vacancies and CVs across Member States, with translations into all languages and a grasp of the skills, qualifications and occupations acquired at national and sectoral level.

3.10 Any work the Commission carries out for the EURES network requiring human and/or financial resources falls under the scope of the regulation establishing the Programme for Employment and Social Innovation ('EaSI')<sup>(16)</sup> (for the period 2014-2020).

#### **4. Specific comments**

##### *4.1 Definitions*

4.1.1 In the light of new mobility patterns and the greater need for fair mobility the EC should define fair mobility in an adequate way. The EC could use as a base the already existing wording in section 2 of Regulation 492/2011 and at the same time make clear that fair mobility is also understood to include the right to access and benefit from the entirety of job offers within the EU.

4.1.2 The concept of mobility should always also take account of each country's views and specific situation, to ensure that talent is able to circulate effectively. In line with Article 26 of the proposal the Member States shall develop mobility policies as an integral part of their employment policies.

##### *4.2 Transparency*

4.2.1 The EESC understands the Commission's intention that the transparency principle be extended to other entities, but it can see risks if public employment services, private job agencies and other organisations providing employment services are not held to the same standards in terms of quality (as those applied to public employment services). The system must be transparent and respect the principle of equal treatment for applicant organisations.

4.2.2 At the same time, the proposal requires public employment services and other EURES partners for their part to ensure better access to the EURES portal on their own job-seeking portals. In some countries, it is very difficult to contact a EURES adviser. Many job seekers also face a number of bureaucratic and financial barriers, particularly young people.

---

<sup>(16)</sup> OJ L 347, 20.12.2013, p. 238.

4.2.3 Furthermore, recent experience shows that there is little awareness of the EURES network and its services in many countries, particularly among young people. And only one-third of employers had heard about EURES before getting in touch with the network. The Member States have to communicate and promote EURES services better to ensure that the decision of people to take a job in the other state is based on their being fully informed.

4.2.4 The Committee welcomes the extension of the EURES network to those categories of citizens, particularly young people, looking for apprenticeships, traineeships or any other opportunities involving an employment contract in line with Articles 45 and 46 of the TFEU, to allow the worker to stay in a Member State for the purpose of employment in accordance with the provisions governing the employment of nationals of that State laid down by law, regulation or administrative action.

4.2.5 The EESC also welcomes the focus on supporting cross-border cooperation and the use of a one-stop shop for communicating with cross-border workers and employers in border areas. It recommends using the contact points for business that are already established.

4.2.6 The EURES-T partnerships, which bring together public employment services, trade unions, regional employer organisations and, in some cases, local or regional government, should be reinforced and their role clearly specified.

4.2.7 The EESC recommends clarification of the relationship between the EURES network and SOLVIT, the EU's single market advice and information portal. This applies particularly to those provisions (Article 7(4)) on support from the National Coordination Office in the event of complaints about job vacancies and recruitment in the EURES network, as well as cooperation with public bodies such as labour inspectorates.

#### 4.3 *Automated matching through the common IT platform*

4.3.1 Although the mechanism for balancing supply and demand is already enshrined in Article 13 of Regulation 492/2011<sup>(17)</sup>, no automated electronic exchange of CVs and other information about job seekers is currently taking place.

4.3.2 The EESC recognises that interoperability does not require harmonisation of national classification systems at this stage. Nevertheless, it supports the Commission's endeavour to have Member States carry out an initial inventory of their classification systems. This will make it possible to compare all classification data with the European classification for skills/competences, qualifications and occupations (ESCO), which will serve as the instrument for automated exchange and full interoperability between domestic authorities.

#### 4.4 *Support services*

4.4.1 The EURES network must provide a comprehensive package of services for its clients (job seekers and employers): raising awareness, channelling information, introducing mechanisms to make registration easier, keeping track of CVs and vacancies, automated matching, job placement, help with recruitment, and giving applicants the contact details of relevant organisations, especially trade unions, that they can turn to once they are employed.

4.4.2 Services for workers and employers should be free of charge.

4.4.3 The EESC welcomes the fact that the Member States will have to be more systematic in sharing national information about labour shortages and surpluses and about policies in this area. However, decisions about such policies are not covered by this regulation.

---

<sup>(17)</sup> 'The specialist service of each Member State shall regularly send to the specialist services of the other Member States and to the European Coordination Office [...]: (a) details of vacancies which could be filled by nationals of other Member States; (b) details of vacancies addressed to third countries; (c) details of applications for employment by those who have formally expressed a wish to work in another Member State; (d) information, by region and by branch of activity, on applicants who have declared themselves actually willing to accept employment in another country'.

4.4.4 The EESC considers it important to have a clear demarcation of powers and obligations between the European Coordination Office, whose task is to create a coherent framework and provide crosscutting support, and National Coordination Offices, public employment services and EURES partners.

4.4.5 With the expansion of EURES's competences, National Coordination Offices will perform a series of new roles and for this they should have sufficient personnel and funding, including good staff training schemes. The EC should ensure they receive as much technical and advisory assistance as possible.

4.4.6 It would be useful if National Coordination Offices drafted work programmes for organisations involved in the work of the EURES network in their country. These programmes would set out planned activities, the total staffing and funding allocated for implementing these and mechanisms for monitoring and evaluating planned action.

#### 4.5 *Personal data protection*

4.5.1 The regulation's measures must be implemented in line with the Union's legislation on personal data protection <sup>(18)</sup>. The consent of workers to information being provided to the EURES portal must be explicit, unambiguous, freely given, specific and informed.

4.5.2 The aim is to ensure both a) effective compliance with the rules on the protection of individuals' fundamental rights and freedoms and b) the free flow of personal data between Member States and the Community institutions and bodies or between the Community institutions and bodies for purposes connected with the exercise of their respective competences.

4.5.3 The EESC notes that consultations have been ongoing with the European Data Protection Supervisor, reflecting the new and extended role of the EURES network. The EESC recommends that the EC take into consideration the recommendations and conclusions of the EDPS' opinion of 3 April <sup>(19)</sup>.

#### 4.6 *Changes in ESF funding*

4.6.1 The EESC welcomes the fact that the new funding system will not jeopardise the important role of EURES cross-border partnerships, especially in exposed regions, and believes that these should continue to be supported through horizontal Union-wide activities, with the possibility of being complemented by national resources or by the ESF.

4.6.2 With regard to the ESF, it should establish EURES priorities clearly and provide the appropriate support. Grant application and awarding procedures must remain coherent, transparent and easy.

#### 4.7 *Role of the social partners*

4.7.1 The European Commission speaks of a new definition of the role of social partners <sup>(20)</sup>. These should be fully involved in the programming and reporting cycle and be invited to meetings.

4.7.2 Even so, the EESC stresses the fundamental role of the social partners at all levels as principal players in the labour market who are heavily involved in EURES work to match skills with vacancies. Their role should not be reduced to that of associate members <sup>(21)</sup>. National Coordination Offices, in particular, should step up their collaboration with social partners and professional organisations. The Committee proposes that the social partners at European level and at national level should participate appropriately in the activities of the European office and national coordination offices.

---

<sup>(18)</sup> Regulation (EC) No 45/2001; OJ L 281, 23.11.1995, p. 31.

Directive 95/46/EC requires Member States to 'protect the fundamental rights and freedoms of natural persons and in particular their right to privacy with respect to the processing of personal data, in order to ensure the free flow of personal data in the Community'.

<sup>(19)</sup> [http://edps.europa.eu/EDPSWEB/webdav/site/mySite/shared/Documents/Consultation/Opinions/2014/14-04-03\\_Workers\\_mobility\\_EN.pdf](http://edps.europa.eu/EDPSWEB/webdav/site/mySite/shared/Documents/Consultation/Opinions/2014/14-04-03_Workers_mobility_EN.pdf)

<sup>(20)</sup> See the minutes of the meeting of the Advisory Committee on Freedom of Movement for Workers held on 12 April 2013.

<sup>(21)</sup> Joint letter from BUSINESSEUROPE, CEEP, ETUC and UEAPME to Commissioner László Andor, 19 December 2012.

#### 4.8 *Monitoring and evaluation of EURES work on employment*

4.8.1 To make sure that there is enough information on which to measure the performance of the EURES network, common indicators should be introduced to guide organisations participating in the network in identifying their results. They should also help assess the progress made against the objectives set for the EURES network as a whole. It is also important to use qualitative indicators such as job quality, equal treatment and social security rights. There must be sensitivity in how the regulation lays down the rights and obligations of the Member States in relation to the transfer of information and statistics on, for example, mobile workers where no systems are available for monitoring some indicators.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the exploration and production of hydrocarbons (such as shale gas) using high volume hydraulic fracturing in the EU’**

COM(2014) 23 final

(2014/C 424/05)

Rapporteur: **Mr ZBOŘIL**

Co-rapporteur: **Mr IONIȚĂ**

On 22 January 2014, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the exploration and production of hydrocarbons (such as shale gas) using high volume hydraulic fracturing in the EU*

COM(2014) 23 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 163 votes to 18 with 10 abstentions.

## **1. Conclusions and recommendations**

1.1 The EU is undergoing massive transformations in the field of energy; the European economy and vulnerable consumers face an increasing risk of unreliable supply and high energy prices.

1.2 High volume hydraulic fracturing — ‘fracking’ — raises concerns about its public health and environmental effects; there is a need to provide the best information for the communities concerned facilitating their protection, as well as a need for more local involvement when decisions are taken on individual projects in compliance with the respective legal requirements.

1.3 The Commission's policy guidelines for unconventional hydrocarbon extraction consist of a set of principles to be implemented by the Member States within six months and a system of monitoring thereafter. Transparency regarding exploration and extraction activities is regarded as crucial in order to minimise risks and secure public acceptance for such projects.

1.4 The EESC believes that the Commission's documents (Communication and Recommendations) are based on a realistic view of the subject and that further discussions must be based on facts and findings, but it is also necessary to consider important subjective factors such as the public's perception of risk. The EESC takes a balanced view of the potential role of unconventional hydrocarbons in the EU energy mix.

1.5 The EESC appreciates the fast track process, with the Recommendations facilitating the start of transparent approval processes for exploratory activities in countries which consider the use of unconventional hydrocarbons indispensable to their energy requirements.

1.6 The EESC thinks that this framework, if correctly implemented, is sufficient for use at local community level and that there is no need to adopt a specific ‘shale gas directive,’ at least for the time being. The EU ‘acquis’ provides adequate means of finding solutions to the cross-boundary effects of fracking, should they occur. In the future, if such activities increase substantially in volume, the matter should be reconsidered.

1.7 The EESC would like to stress that such unconventional hydrocarbon resources, developed under the right institutional framework, can be a factor for growth in Europe. Relatively clean, reliable and flexible generation based on fossil fuels is necessary in order to prevent an imbalance in electricity systems. Furthermore, the frequent political crises in the EU's eastern neighbourhood show how important it is to have such a timely diversification of supply sources.

1.8 The EESC recommends that a number of additional points about fracking technology be emphasised in further Commission documents. The water consumption is not as high as sometimes assumed, though working in water stress areas requires special attention; the chemicals used are subject to regulation (under REACH), and no dangerous substances should be used; gas leaks must be properly managed as well as flaring of the waste gas. The 'polluter pays' principle applies.

1.9 The EESC emphasises as crucial for social fairness and public acceptability of unconventional hydrocarbons that the proceeds from royalties and excise taxes should be shared with the local budgets of the communities concerned in a transparent and predictable manner, in order to compensate them for any negative externalities that might occur.

## **2. Introduction**

2.1 The EU is undergoing massive transformations in the field of energy, determined by overlapping factors such as important technological breakthroughs (concerning both renewables and fossil fuels), major geopolitical shifts and ambitious policy targets which sometimes lead to complex actions, the effects of which are difficult to sort out. But while the sources of energy have certainly multiplied and diversified, the European economy and vulnerable consumers face an increasing risk of unreliable supply and high prices.

2.2 One of the new techniques that has appeared in recent decades is high volume hydraulic fracturing — 'fracking' — which in the US has matured rapidly and brought undeniable benefits by increasing the stock of natural gas available for economic exploitation and substantially reducing prices. At the same time, fracking raises concerns about its public health and environmental effects, while the public complains about an insufficient level of transparency and consultation about shale gas activities. There is a need for the communities concerned to be better informed, as well as for more local involvement in decision-making on individual projects, including the impact assessment process as required by the applicable legal obligations.

2.3 The EESC would like to strengthen the Commission's message — i.e. that unconventional hydrocarbon resources, developed under the right institutional framework, can be a factor for growth in Europe. The lessons learnt from the deployment of renewables demonstrate that there will still be a need in the foreseeable future for relatively clean, reliable and flexible generation based on fossil fuels, in order to avoid an imbalance in electricity systems. What is more, the frequent political crises in the EU's eastern neighbourhood show, once more, how important it is to have a diversification of supply sources.

## **3. Commission document**

3.1 European economies and citizens require energy which is sustainable, affordable and whose supply is secure and reliable. A high level of reliance on imports and low diversification of energy resources, among other factors, have contributed to increasing prices in the EU, particularly when compared with the situation of some of our main competitors.

3.2 Technological progress has enabled access to unconventional fossil fuels that were previously too difficult or costly to extract. In the US, unconventional gas sources currently account for 60 % of domestic gas production with shale gas showing the highest growth rate, making cheaper US coal supplies available for export, notably to the EU.

3.3 Potential reserves of natural gas from shale formations have triggered high expectations in parts of the EU: shale gas can be a possible substitute for more carbon-intensive fossil fuels, it can reduce dependency on non-EU energy suppliers, and may create additional jobs, economic growth and public revenues. Accordingly, some Member States are actively pursuing shale gas exploration.

3.4 However, the risks associated with the high volume hydraulic fracturing technique, commonly labelled 'fracking', raise concerns about its public health and environmental effects. A major part of the population also feels there is an insufficient level of precaution, transparency and public consultation in relation to shale gas activities. Some Member States have decided to ban hydraulic fracturing or impose moratorium.

3.5 In response to public concerns, the Commission has agreed to develop a framework for safe and secure unconventional hydrocarbon extraction in the EU, aiming to:

- ensure that opportunities to diversify energy supplies and improve competitiveness can be safely and effectively taken up in those Member States that choose to do so;
- provide clarity and predictability for both market operators and citizens, including for exploration projects; and
- fully consider greenhouse gas emissions and the management of climate and environmental risks, including those to health, in line with public expectations.

3.6 This Communication accompanies a Recommendation, complementary to the current EU '*acquis*', providing minimum principles for the exploration and production of hydrocarbons by means of high volume hydraulic fracturing. The objective of this Recommendation is to enable the safe and secure development of these resources, and to foster a level playing field for this industry in all EU Member States that choose to develop them.

3.7 Based on currently available information, natural gas production from shale formations seems to have the highest potential in Europe compared to other unconventional fossil fuels: technically recoverable shale gas resources have been estimated to be approximately 16 trillion cubic metres (tcm), which is much higher than for tight gas (3 tcm) or coal bed methane (2 tcm). As exploration projects develop, further knowledge on the economically recoverable resources from shale formations and other unconventional sources of gas and oil will be gained.

3.8 The new technique could offer Member States with a high import dependency the possibility to diversify their energy sources and enhance their security of supply. Even a moderate decrease or an avoided increase in gas prices — for instance through an increased or maintained negotiating position towards non-EU gas suppliers — would be beneficial for Member States. Shale gas activities also have the potential to bring direct or indirect economic benefits, for instance through regional investments in infrastructure, direct and indirect employment opportunities, and public income via taxes, fees and royalties.

3.9 The experts agree that shale gas extraction generally leads to a larger environmental footprint compared to conventional gas development: it requires a more intensive well stimulation technique, it mainly takes place on-shore and it covers wider areas. In addition, as productivity of shale gas wells is generally lower than conventional wells, more such wells need to be drilled. Some of these risks and effects could have cross-border implications, for example in the event of water and air pollution.

3.10 The environmental risks, also entailing health risks, have led to varying degrees of public concern, including outright opposition to shale gas projects. In particular, the asymmetry of information between the operators and competent authorities or the general public is seen as a problem, especially with respect to the composition of fracturing fluids and the geological conditions in which fracking is to take place.

3.11 The Recommendation mentioned invites Member States, when applying or adapting their legislation applicable to hydrocarbons involving high volume hydraulic fracturing, to make sure that:

- a strategic environmental assessment is carried out prior to granting licenses for hydrocarbon exploration and/or production which are expected to lead to operations involving high-volume hydraulic fracturing;
- a site-specific risk characterisation and assessment is carried out, related to both the underground and the surface;

- baseline reporting (e.g. of water, air, seismicity) takes place, in order to provide a reference for subsequent monitoring or in case of an incident;
- the public is informed of the composition of the fluid used for hydraulic fracturing on a well-by-well basis as well as on waste water composition, baseline data and monitoring results;
- the well is properly insulated from the surrounding geological formations, in particular to avoid contamination of groundwater;
- venting (release of gases into the atmosphere) is limited to the most exceptional operational safety cases, flaring (controlled burning of gases) is minimised, and gas is captured for its subsequent use (e.g. on-site or through pipelines).

3.12 It is also recommended that Member States ensure that companies apply the best available techniques (BAT), where applicable, and good industry practices to prevent, manage and reduce the impacts and risks associated with exploration and production projects. In addition, the Commission is reviewing the existing reference document (BREF) on extractive waste under the Mining Waste Directive. The Committee believes it would be published soon.

3.13 To facilitate the public's involvement, the Commission will establish a European Science and Technology Network on Unconventional Hydrocarbon Extraction, bringing together practitioners from industry, research, academia as well as actors of civil society. Further research in the field on understanding, preventing and mitigating the environmental impact and risks of shale gas exploration and exploitation is also announced in the 2014-2015 work programme of Horizon 2020.

3.14 EU Member States are invited to apply the principles of the Recommendation within six months and, starting in 2015, inform the Commission yearly about the measures adopted. The Commission will monitor implementation with a public scoreboard comparing the situation in the different Member States and will review the effectiveness of this policy in 18 months.

#### 4. The Committee's comments

4.1 The EESC appreciates the balanced approach of the EC towards the unconventional hydrocarbons issue. Such a discussion must be open and based on facts and findings. Nonetheless, subjective aspects, such as the public's perception of risk, also need to be taken into consideration. The Communication is comprehensive, informative well-structured, and stresses the most important issues that need to be addressed in terms of environmental and health protection and general public acceptance. It offers a balanced view of the potential role of unconventional hydrocarbons in the EU energy mix.

4.2 Since not all the EU countries are endowed with this primary energy source, the subsidiarity principle must be followed. The EU 'acquis' provides adequate means of finding solutions to the cross-boundary effects of fracking, should they occur. The EESC believes that the current EU regulations are adequate, covering most aspects involved in fracking; there is no need to adopt a specific 'shale gas directive' for the time being. Thorough implementation of existing obligations is a safe way of developing this new extractive technology.

4.3 There is a relative scarcity of raw material sources within the EU; all available resources ought to be used in the most efficient way, factoring in the health and environmental risks. On the other hand, no human activity is totally risk-free and rational risk management must be an integral part of any human endeavour, including unconventional hydrocarbon exploration and extraction.

4.4 A high level of transparency in every exploration or exploitation project is of paramount importance for securing public acceptance of the new technology. Transparency should be enforced from the early stages of its development, because in order to be able to assess realistically the stocks of resources and the economic benefits from their exploitation, exploratory drilling is needed in areas indicating a potential of shale gas occurrence. A thorough impact assessment concerning the exploration must be provided. Security and sustainability of supply are fundamental pillars of EU energy policy. However, since the imbalance created in the system by wind and solar sources cannot yet be offset without compromising other objectives, such as decarbonisation or increased efficiency, the unconventional gas option appears to be a feasible one for smoothing out the energy transition.

4.5 Geopolitical considerations must be taken into account too, notably in the light of the latest developments in Ukraine, which occurred after the Communication and Recommendations were published. These are related to the security of energy supplies in the eventuality of lingering tensions in the EU's near neighbours, or a trade war with Russia. But they have also to do with developments in other parts of the world and the gradual decline of the EU among the major trading blocs.

4.6 The EESC recognises that unconventional hydrocarbon extraction technology has made progress in recent years. The key environmental and safety concerns have been successfully addressed in a credible manner and the risks in crucial environmental areas reduced. Nevertheless, the danger of water contamination in particular needs to be closely monitored; special attention must be paid to water stress areas. The EESC advises that the Commission's documents be revised at the earliest opportunity so as to incorporate the following suggestions.

4.7 When assessing extraction projects, the benefits accruing to local communities (infrastructure, jobs, taxes and royalties, etc.) should be set out in full. It is very important — and good practice — that the proceeds from royalties and excise taxes be shared with local budgets in a transparent and predictable manner, preferably using a formula available for public scrutiny, in order to compensate communities for any negative consequences caused by extraction and reduce their opposition to such projects. The EESC advises that this point be incorporated into the Commission's Recommendations.

4.8 The climate protection benefits should be set out in full: the emissions from combustion processes would be roughly half those arising from coal. When considering this issue, we should realise the gas leakage impact from a well to a burner, which in some parts of the world are quite high but which are hardly ever disclosed. Unofficially, the experts admit that the gas leaks in badly managed gas fields reach up to 12-13 % while good operational standards keep such leaks under 3 %!

4.9 Geological and seismic risks must be carefully assessed in specific basins but the Communication should mention that the fracturing process takes place in much deeper wells than conventional extraction, well below the aquifers in the case of shale gas. Knowledge should continue to be developed, nevertheless, regarding the medium and long-term risks arising from the sheer scale of the operations involved in the new technology.

4.10 The Commission may also want to mention that the water consumption per well is fairly low, and a good portion of this water returns to the surface to be either reused or properly processed. The chemicals used are subject to the REACH Regulation in the EU and gas leaks must be properly managed, as should flaring of the waste gas. In addition, land use in proportion to the power density of other gas fields is much less than that of PV/wind and biomass installations; currently, this phenomenon is seriously underestimated by proponents of all kinds of renewables, although it often plays a role when decisions are taken on the feasibility of primary energy sources.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on: A policy framework for climate and energy in the period from 2020 to 2030’**

COM(2014) 15 final

(2014/C 424/06)

Rapporteur: **Ulla SIRKEINEN**

On 8 May 2013, the Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on: A policy framework for climate and energy in the period from 2020 to 2030*

COM(2014) 15 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 198 votes to 23 with 13 abstentions.

## **1. Conclusions and recommendations**

### **1.1 The EESC concludes that:**

- the Commission's communication is aiming at making climate and energy policies more predictable,
- the communication takes due account of the massive changes and experiences which have occurred since the adoption of EU policies to 2020, and
- in addition recent observations by the IPCC makes the preparation of EU's climate and energy policies beyond 2020 even more timely.

### **1.2 The EESC supports:**

- the proposal to set the target for reducing GHG emissions by 2030 at 40 %, because this is in accordance with the target of a 80-95 % reduction by 2050 while still being ambitious,
- the proposal for a common target of at least 27 % for the share of renewable energy sources, but in contrast to the Commission proposal considers it necessary to fix specific national targets,
- the Commission's intention to present new proposals on energy efficiency after its assessment of present measures later this year, and
- the proposal for a new iterative governance method.

### **1.3 The EESC recommends:**

- using the most cost-effective measures for implementation in order to diminish harmful consequences and protect the most vulnerable energy users,
- consideration of sectoral targets for energy efficiency, for instance in the building sector, in order to tap the huge potential of this most promising way towards energy policy goals in a cost-effective manner,

- developing methods of drawing up and implementing the proposed national plans with the genuine involvement of civil society and making consultation of neighbouring countries mandatory before national decisions with far-reaching consequences,
- taking a decisive step towards a real European Energy Community by coordinating national plans, particularly with a view to securing the EU's energy supply,
- pursuing decisive action to decrease the EU's very high dependence on energy from unreliable sources, including by setting binding national targets for renewables expansion,
- providing stronger assistance for associated countries covered by the European Neighbourhood Policy in developing a low-carbon economy,
- providing more information on plans to step up action in the non-ETS sector, particularly in the transport, agriculture and land use sectors,
- providing more information on achievements in the creation of green jobs,
- ensuring sufficient measures to avoid carbon leakage in energy intensive industries,
- taking radical action on innovation and research as the providers of real solutions to the challenges, in combination with measures to promote the manufacture of equipment for the low carbon economy, while ensuring that delivery by industry is supported by better training, and
- making the international development of climate policies the top priority and in parallel paying more attention to adaptation to climate change. This also means representing the legitimate interests of European industrial sectors under pressure from international competition due to stricter European energy and climate policies, in the WTO negotiations as well as the TTIP.

## 2. Introduction

2.1 Since the European Council in March 2008 decided upon the climate and energy policy targets of 20-20-20 by 2020 **many things have changed**. **Firstly**, the worst economic crisis since the war, with recovery in Europe only just starting and still weak. **Secondly**, other main players have not followed the EU in setting targets and measures to mitigate climate change. **Thirdly**, the shale gas revolution in the USA has changed the energy scene, at least in sectors affected by the gas sector, thus altering the balance of competition. **Fourthly**, retail energy prices have increased rapidly in the last few years in large parts of the EU, putting industrial competitiveness and vulnerable consumers at risk. **Fifthly**, recent political developments in Ukraine have also dramatically highlighted the importance of decreasing the EU's dependence on Russian fossil energy sources. **Sixthly**, there have also been some genuinely revolutionary developments in renewable energy technology, which are making low-carbon energy production increasingly cost-effective. In this context, the EESC recommends that the Commission disseminate its analysis that 'the costs of a low carbon transition do not differ substantially from the costs that will be incurred in any event because of the need to renew an aging energy system, rising fossil fuel prices and adherence to existing climate and energy policies' more widely. Furthermore, 'energy system costs are expected to rise over the period to 2030 to a level of around 14 % of GDP compared to about 12,8 % in 2010. There will, however, be a major shift away from expenditure on fuels towards innovative equipment with high added value that will stimulate investments for innovative products and services, create jobs and growth and improve the Union's trade balance'. **Seventhly**, in some Member States there have been some interesting decentralised renewable energy production initiatives, with direct civil society involvement. These show that active and direct involvement of ordinary citizens, local councils and regional authorities unlocks new regional value added potential, thus significantly enhancing social acceptance of a new climate and energy policy. And **eighthly**, it is becoming increasingly clear that leadership in the field of renewable energy technology offers great economic potential for the future, and that regional development must go hand-in-hand with energy policy.

2.2 **Substantial progress** on the targets set for 2020 has been achieved. Greenhouse gas emissions had in 2012 decreased by 18 % from 1990, and based on the measures agreed on so far, are expected to reduce further by 24 % by 2020 and by 32 % by 2030. The share of renewable energy in final energy use was 13 % in 2012. The European Commission is expecting a further increase to 21 % and 24 % by 2020 and 2030 respectively. The energy intensity of the EU economy fell by 24 % from 1995 to 2011, although it seems that the indicative target of 20 % energy improvements in energy efficiency will not be achieved. These figures are partly explained by the prolonged economic slowdown, carbon leakage and better energy efficiency.

2.3 The challenges ahead are, however, all the more serious and require urgent action. The Intergovernmental **Panel on Climate Change** (IPCC) has recently published parts of its Fifth assessment report, which shows that global emissions of greenhouse gases have risen to unprecedented levels despite the mitigation policies in place. According to the IPCC only major institutional and technological change and substantial investments will give a better than even chance that global warming will not exceed the 2 degrees Celsius limit.

2.4 In 2008, the European Council decided on a **GHG emissions reduction target of 80-95 % by 2050**, in line with the international commitment to stop global warming at plus 2 degrees C. The Commission has presented corresponding climate and energy roadmaps to 2050.

2.5 **The EESC has actively supported** and closely followed the decisions on and implementation of the EU's climate and energy policy. Many opinions on related subjects have been issued either on referral or on the Committee's own initiative, including opinions on international climate negotiations <sup>(1)</sup>, a European Energy Community <sup>(2)</sup>, energy costs <sup>(3)</sup>, energy poverty <sup>(4)</sup> and, most recently, market-based instruments for a low-carbon economy <sup>(5)</sup>.

2.6 This opinion builds on earlier opinions and complements them. It is, like other EESC opinions, a compromise between different divergent views. It covers only the communication 'a policy framework for climate and energy in the period from 2020 to 2030' <sup>(6)</sup>. The EESC will issue separate opinions on the other parts of the package: the reform of the ETS <sup>(7)</sup>, the communication on energy prices <sup>(8)</sup>, recommendations on shale gas <sup>(9)</sup> and the communication on industrial renaissance <sup>(10)</sup>.

### 3. The Commission's framework proposal

3.1 On the basis of the climate and energy roadmaps to 2050, a green paper for public consultation and an impact assessment, the Commission has presented a **package of proposals** under the framework communication on 2030 climate and energy policy mentioned in paragraph 2.8.

3.2 The Commission proposes a **40 % target for reduction of GHG emissions** from 1990. The ETS sector would have to deliver a decrease of 43 % compared to 2005, and the non-ETS sector 30 %. The yearly factor to decrease the ETS cap of emissions will increase from the current 1,74 % to 2,2 % after 2020. The non-ETS-target is to be allocated to the Member States by mainly the same method as presently applied.

<sup>(1)</sup> OJ C 67, 6.3.2014, pp. 145-149.

<sup>(2)</sup> OJ C 68, 6.3.2012, pp. 15-20.

<sup>(3)</sup> OJ C 198, 10.7.2013, pp. 1-8.

<sup>(4)</sup> OJ C 341, 21.11.2013, pp. 21-27.

<sup>(5)</sup> OJ C 226, 16.7.2014, p. 1.

<sup>(6)</sup> COM(2014) 15 final.

<sup>(7)</sup> EESC opinion on the *EU greenhouse gas emission trading scheme* (not yet published in OJ) EESC-2014-00800-00-00-AC-TRA.

<sup>(8)</sup> EESC opinion on *Energy prices and costs in Europe* EESC-2014-01113-00-00-AC (see page 64 of the current Official Journal).

<sup>(9)</sup> EESC opinion on the *Exploration of hydrocarbons with fracking* EESC-2014-01320-00-00-AC (see page 34 of the current Official Journal).

<sup>(10)</sup> EESC opinion *For a European Industrial Renaissance* (not yet published in OJ) EESC-2014-00746-00-00-AC.

3.3 The Commission proposes a target of **at least 27 % for the share of renewable energy** in the EU's final energy consumption. This target is binding at EU level but would not be distributed to the Member States; it is therefore unclear who could be held accountable if the target is not met. The share of renewable energy in the electricity sector would increase from 21 % today to 45 % in 2030.

3.4 **No proposals on energy efficiency** are presented. An assessment of the implementation of the Energy Efficiency Directive will be presented by mid-2014, and further proposals considered on this basis.

3.5 The Commission proposes to **reform the emissions trading system** <sup>(11)</sup> by establishing a market stability reserve, and has presented a draft regulation on this point.

3.6 The Commission also touches upon **competition in the integrated markets** and promotion of security of energy supply. The Commission has presented a separate communication on **energy prices** <sup>(12)</sup>.

3.7 **A new method of** governance is proposed, based on national plans.

3.8 **A broader set of** indicators is proposed to take better stock of progress.

3.9 Key **complementary policies** — agriculture and land use, CCS, innovation and finance — are also touched upon.

3.10 Finally, the Commission presents a brief overview of **the international context** of GHG mitigation.

#### 4. The EESC comments on the 2030 framework

4.1 The EESC welcomes the communication because it aims to ensure that climate and energy policy objectives remain **predictable**. A stable and predictable regulatory framework and, in particular, its coherent implementation, are prerequisites for the long-term decisions and massive investments that are needed to turn developments in the desired direction.

4.2 An important element of predictability is the message that the core elements of the climate and energy policy **framework up to 2020** will remain unchanged.

4.3 The communication does, however, also **take into account the massive changes** that have taken place since the adoption of the 2020-policy. Notwithstanding the need for predictability, the challenges of the changing international context, the need for economic recovery, better competitiveness and rising energy costs render it necessary to adapt present policies.

4.4 Global warming is a massive long term threat to our planet and the wellbeing of future generations, as well as to economic prosperity in general. Even today, it is already costing us a lot of money. Efforts in the EU must be directed towards the target of 80-95 % GHG emissions reduction in 2050. **The EESC supports the Commission's proposal of setting the target for 2030 at 40 %**, even if this can be seen as **ambitious**. According to the impact assessment accompanying the communication a target of 35 % would be sufficient to keep reductions on track for the 2050 goal.

4.5 When the target of decreasing emissions by 20 % in 2020 compared to 1990 was decided on in 2008, emissions had already gone down by 10 % compared to the starting point. It now seems that a reduction of 24 % will be achieved by 2020, which means a reduction of 14 % in 11 years. **A further reduction of 16 % would have to be achieved within a decade**, which may not be too difficult in view of technological progress decreasing renewable energy costs, and an increase in fossil energy costs. However, the efforts since 1990 have been considerably eased by the economic slowdown, a massive restructuring in the former communist economies and the use of the Kyoto mechanisms.

---

<sup>(11)</sup> COM(2014) 20 final.

<sup>(12)</sup> COM(2014) 21 final.

4.6 However, in order to reach this target without negative impacts on other aspects of sustainability — economic and social — it is of utmost importance to **ensure the most cost effective measures** for implementation. The EESC is therefore pleased that the Commission has stopped setting targets for the biofuel sector, one of the most expensive options for greenhouse gas reductions; this is something which the Committee had already recommended in 2008 <sup>(13)</sup>. In this respect the use of the flexibility mechanisms that the Commission is now proposing to exclude after 2020 should be thoroughly assessed and broadly discussed; this assessment should factor in observed problems as well as the benefits of global cost efficiency and the development of international climate cooperation.

4.7 Policies will affect different sectors of the economy in different ways. Therefore, measures should be carefully designed and targeted in order to **diminish harmful consequences** and protect the most vulnerable energy users. The transition to a low carbon economy has to be fair. Central issues are training, good quality jobs and workers participation, and possibly also compensation measures.

4.8 The EESC also **supports the Commission's proposal for a common target of at least 27 % for the share of renewable energy sources**. The 40 % GHG emissions reduction target can be seen as a major climate policy signal, not least in view of the forthcoming COP 20/COP 21 negotiations; on the other hand, developing renewable energy sources in order to reduce our currently excessive dependence on imports is more of an energy policy objective. The Committee is critical of the proposal not to adopt individual binding targets for each Member State. It is completely unclear how the Commission could monitor compliance with the shared target, still less sanction non-compliance.

4.9 Improved **energy efficiency** is the most promising way of working in a cost-effective manner towards all energy policy goals — environmental, economic and security-of-supply. The potential is big but radical action is required. The EESC expects the Commission to present effective policy measures based on its assessment later this year, taking into account the broad range of issues to be addressed in this area. The experiences of the current and only recently approved legislative framework need to be taken into account. As to targets, sectoral ones could be considered, particularly with a view to tapping the major potential of the building and transport sectors.

4.10 **The EESC welcomes the new governance method** proposed by the Commission, with its iterative process for establishing national plans. Drawing up these plans could offer a good opportunity to involve not only stakeholders but broader civil society as well in energy policy issues, including commitment to implementation. The most important aspect of the proposal is the requirement to **consult neighbouring countries**, which should be made mandatory before national decisions with potentially far-reaching consequences for other parties are taken and could form a decisive step towards a real **European Energy Community**. Combining different national resources and approaches and thereby different energy mixes could provide cost-effective regional systems and markets, contributing to balancing, generation adequacy and security of supply. The EESC therefore calls on Member States to respond positively on an effective governance procedure and to determine with the Commission and civil society how it can be implemented. This new governance method should be transparent and include involvement of civil society, while also minimising additional administrative burdens on Member States.

4.11 Sustainability and diversification are core objectives in the exercise of Member States' right to **decide on their own energy mix**. Increasing the use of renewable sources will remain necessary on both counts, complemented by other low-emission sources. EU policies must not constrain Member States who so wish from using nuclear power or exploiting indigenous energy resources, including unconventional gases.

4.12 More assistance for associated countries covered by the European Neighbourhood Policy in developing a low-carbon economy is needed, together with easier access to the requisite technologies and support for research centres from these countries specialising in the field.

---

<sup>(13)</sup> OJ C 198, 10.7.2013, p. 56.

4.13 The problem of the EU's very high dependence on fossil **energy from unreliable sources** has been highlighted in recent weeks and needs urgent attention. Decisive action has to be taken to diversify energy supply, as described in point 4.10, focusing on resources which will continue to be available in the long term and produce the lowest possible level of emissions. A real internal energy market and a common external energy policy is also needed with a view to diversifying sources of supply.

4.14 The EESC welcomes the proposal to use a broader set of **indicators** for more accurate progress reviews. Insufficient transborder transmission capacity is still the most important obstacle to a real internal energy market. The proper way to screen progress here is to monitor the development of price differences between regions and countries.

4.15 An important role for the Commission with regard to this development is to ensure a **level playing field** by phasing out harmful subsidies and scrutinising public support schemes <sup>(14)</sup>. This should also apply to the support measures provided for within the ETS system to compensate industries threatened by carbon leakage for indirect climate costs, e.g. higher electricity prices. This compensation should be an EU-wide system in order to avoid distortion of competition between Member States. The EESC also issues a separate opinion on the proposal to reform the ETS <sup>(15)</sup>. The Commission must also push for a level playing field at international level, which means that this issue will have to be addressed in the WTO negotiations, as well as the TTIP agreement.

4.16 One important part of the national energy plans is policies for **the non-ETS sector**. The transport and heating sectors are particularly important. The Committee has already repeatedly expressed its views on the biofuels policy, and refers to its opinions on the subject <sup>(16)</sup>.

4.17 **Agriculture and land use** will play their part in climate change mitigation, but the policies need more analysis and reflection. Sustainable biomass from agriculture and forestry has a role to play in diversifying energy sources. If the sector of land use change were to be included in the non-ETS targets, the net increase in the carbon sink of forests would have to be deducted fully.

4.18 The communication is also missing **information on achievements in the creation of new green jobs**, which was an important objective for the 20-20-20 decisions. Studies so far point to neutral or only a small positive net influence on employment, while job structures will change radically.

4.19 A massive **greening of existing activities** in the EU has probably taken place, as proven for instance by the much improved energy efficiency of manufacturing industries. So far, energy intensive industries have been able to react to the climate challenge by improving their efficiency, but as much of the potential has been tapped, the threat of carbon leakage should be taken even more seriously in the future.

4.20 Many branches of **energy-intensive industries** in Europe are competing in open global markets without any possibility of unilaterally adding extra costs to their prices, and are therefore at risk of carbon leakage. These industries are also in most cases the most energy and carbon-efficient globally. In such circumstances, carbon leakage could even lead to an increase of global emissions. The EU's policies should therefore not result in increased energy costs, either direct or indirect, for these industries, or they should include clear provisions for offsetting these increased costs. The provisions for preventing carbon leakage need to provide a completely free allocation of emission permits, based on technically achievable benchmarks, until new technologies are proven to deliver substantial emission reductions in an economically sound manner.

---

<sup>(14)</sup> OJ C 226, 16.7.2014, p. 28.

<sup>(15)</sup> OJ C 177, 11.6.2014, p. 88.

<sup>(16)</sup> OJ C 198, 10.7.2013, p. 56.

4.21 The ultimate real solution to climate and energy policy challenges is **innovation**. The EU and Member States as well as other financial actors must act radically to tap this potential by supporting both deployment of new technologies and attempts at more risky breakthrough innovations. Without real technology jumps in many sectors, the long-term goals cannot be achieved. In order to deliver these innovations we need a competitive industrial sector, and by adapting to this challenge the sector can remain competitive and conquer new ground. The key enabling factor here is high-quality training. Industry specialising in the manufacture of equipment for the low-carbon economy could contribute to the European economy's competitiveness and facilitate access to such equipment. For this to happen, combined research and support measures will be needed.

4.22 Meeting the challenges of climate change and continuing to provide secure, safe and affordable energy for everyone in Europe require changes in attitudes and behaviour by all. Whichever policy line is chosen by EU decision-makers, its smooth **implementation depends on involvement** at an early stage by all stakeholders. As mentioned in paragraph 4.9, civil society has a role to play, and this can be supported by the EESC.

4.23 The **most important** question with regard to climate policy is, however, **international development**. The policy framework presented in the communication would considerably decrease the EU share of global GHG emissions from the present level of 11 %. The IEA has concluded that even current policies would decrease the EU share to 7 % by 2035. Europe has a particular historic responsibility to act on climate change, but acting alone it would not make much difference in limiting change to 2 degrees. An ambitious international agreement and its effective implementation are key objectives for EU policies. If this is not achieved, the EU could be forced to reconsider its own policies. In parallel, much more attention and activity should be directed towards **adaptation** to climate change, which cannot be neglected any longer.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the ‘Proposal for a Decision of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC’**

COM(2014) 20 final — 2014/0011 (COD)

(2014/C 424/07)

Rapporteur: **Antonello PEZZINI**

On 6 and 13 February and on 22 January 2014 the European Parliament, the Council and the European Commission respectively decided to consult the European Economic and Social Committee, under Articles 192 and 304 of the Treaty on the Functioning of the European Union, on the

*Proposal for a Decision of the European Parliament and of the Council concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC*

COM(2014) 20 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 22 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 167 votes to 2 with 10 abstentions.

## **1. Conclusions and recommendations**

1.1 The Committee considers the European Union’s Emissions Trading System (EU ETS) to be a key instrument in EU climate and energy policy for reducing the EU’s industrial emissions, and, therefore, calls for its genuine reform aimed at achieving both the EU’s climate objectives for 2020 and 2030 while safeguarding our industrial competitiveness and avoiding investment leakage.

1.2 The EESC supports the proposal to establish a market stability reserve at the beginning of the next ETS trading period in 2021, as a possible measure to deal with post-2020 ETS price volatility.

1.3 The Committee notes that the European Council of 21 March 2014 called in particular for measures to compensate in full for the direct and indirect costs arising from EU climate policies for sectors exposed to global competition, until such time as a comprehensive international climate agreement has established a level global playing field for European industry.

1.4 The EESC calls for:

- predefined automatic adjustment mechanisms able to withstand serious shocks with no margin for discretion or interference;
- system transparency, predictability and simplicity;
- limited transition costs;

- predictable investment prospects;
- certainty of stable objectives over the long term;
- use of the proceeds of auctions to support businesses during the transition towards a low CO<sub>2</sub> emission economy and the development and application of clean technologies;
- appropriate and innovative support measures for energy-intensive manufacturing sectors;
- greater strategic clarity at European and world level.

1.5 In the Committee's view, the emissions allowance trading system overlaps with other European and national policies in the area of environment, climate, energy and industrial development that should be more closely coordinated in order to generate a positive impact; the EESC therefore calls for the revision of the system to be seen in closer association with the other rules affecting greenhouse gas emissions and energy costs for industrial purposes.

1.6 The EESC emphasises that the ETS must be strengthened not only as an instrument to optimise costs and promote energy efficiency in all sectors, but also as a tool for raising awareness among the general public, in order to:

- favour low carbon goods and services;
- support infrastructure investment;
- promote training and capacity-building in sectors that are key to a recovery of the economic value of the European manufacturing sector.

1.7 The Committee points out that industry is constantly engaged in an on-going process of innovation to reduce energy consumption and increase energy efficiency, although it is clear that the distortions of the ETS market, with excessive reductions in the price of carbon, may make it more difficult to boost sustainable scientific and technological innovation.

1.8 The EESC considers that the role of the EU ETS from 2020-2030 should be not only to facilitate an economically viable reduction in carbon for the relevant installations and sectors, by investing in low-carbon technologies, by using renewable energy sources and by acting on energy efficiency, but also to promote access to international offsets. This would serve to limit emissions on the world carbon market, not least in the run-up to the 2015 Global Climate Change Agreement, and in keeping with the sustainable development objectives set out in the Post-2015 Development Agenda concerning integrated approaches for development, equality, human rights and complete environmental sustainability.

1.9 The Committee believes that revision of the ETS from 2021, forming a part of the new 2030 framework for climate and energy should be closely linked to use of the Horizon 2020 programme and coordination of national programmes, in order to speed up a relaunch of sustainable technological innovation. The aim would be to safeguard industrial competitiveness in Europe by promoting new and better industrial locations.

1.10 The EESC is convinced of the need to make the carbon market more stable, flexible and open to all its main global partners, and therefore calls on the Commission, the Parliament and the Council to devise a detailed and coordinated framework for future action, in order to achieve the objective of a competitive and sustainable industrial manufacturing system.

1.11 The EESC emphasises that decarbonisation policies have the capacity to boost employment and have a positive impact in terms of reducing emissions and improving air quality. It also urges that these factors figure prominently in international negotiations.

## 2. Introduction

2.1 The EU ETS must be an efficient, key instrument for reducing the EU's energy-related emissions. If it is to be cost-effective, it must be market-driven, capable both of stimulating carbon prices and of boosting investment in low-carbon technologies, the development of renewable energies and greater energy efficiency for a competitive manufacturing industry that meets sustainability targets that are shared and adhered to by all the main partners across the globe.

2.2 The ETS currently stipulates that companies required to reduce their emissions are given credits equivalent to the tons of CO<sub>2</sub> that they can emit, with the allocation decreasing each year (- 1,74 %). From 2021, this percentage should rise to 2,2 %.

2.3 Since it was set up, the EU ETS has provided an EU-level reference price that every day steers operational and investment strategy decisions on a daily basis with a view to reducing emissions from all sectors of the European economy, which are responsible for approximately half of the EU's greenhouse gas (GHG) emissions.

2.4 However, following the major economic crisis and subsequent slow-down, the system has generated a structural imbalance between supply and demand for ETS allowances, leading to a surplus of some 2 billion allowances. This imbalance seems set to last for more than a decade.

2.5 Market surplus has triggered a meltdown in prices within the EU ETS, dropping from around EUR 30/tonne of CO<sub>2</sub> to EUR 13,09/tonne in 2010 and EUR 11,45/tonne in 2011 to reach an average global carbon price in 2012 of around EUR 5,82/tonne.

2.6 Many European countries have seen a range of initiatives, such as the white and green certificates in Italy, which are aimed at reducing carbon emissions by means of savings and efficiency (white certificates) or by replacing hydrocarbons as a primary source of energy with renewables (green certificates) <sup>(1)</sup>.

2.7 Industry is constantly engaged in an on-going process of innovation to reduce energy consumption and increase energy efficiency. It is however clear that with excessive reductions in the price of carbon, strengthening sustainable scientific and technological innovation would become more difficult.

2.8 Under the current rules underpinning the ETS, the supply of emission allowances for auction is set for a considerable number of years, with no adjustments being allowed in response to major changes in demand. This leads to lasting imbalances, with negative repercussions on innovation and investment in new, low-carbon emission technologies.

2.9 In December 2013 the European Parliament and the Council discussed adjustments to be made to the ETS mechanism and decided to allow the Commission — in exceptional circumstances, and so as to ensure the orderly functioning of the market until long-term structural measures are adopted — to postpone, once only, the sale of a maximum of 900 million carbon allowances, setting a new deadline for 2020 instead of the 2014-2016 three-year period.

2.10 In spite of this short-term progress, the EU is still far from resolving the issue of longer-term surpluses.

2.11 According to the Commission, the option of establishing a market stability reserve to begin operating in 2021 — i. e. in phase 4 — would allow the existing rules to be taken on board. This would ensure a more balanced market, with carbon prices more closely steered by medium/long-term emission reductions, and provide stable expectations, encouraging low-carbon investments that would benefit companies that continue to be subject to high energy intensity constraints.

---

<sup>(1)</sup> In compliance with the provisions of Directive 2006/32/EC which requires all the Member States to draw up national energy efficiency action plans, with the aim of reducing consumption and boosting renewable energy sources.

2.12 The reserve should open the way to both tackling the surplus of emission allowances that has built up over recent years and improving the resilience of the system to severe shocks by automatically adjusting the supply of allowances to be auctioned.

2.13 Setting up a reserve of this kind — perhaps better than the back-loading recently agreed with the decision to auction 900 million allowances in 2019-2020 — is supported by a wide range of stakeholders. Under the provisions of the proposed legislation, the reserve would operate entirely according to predefined rules, with no discretion left to the Commission or the Member States with regard to implementation.

### 3. Summary of the Commission proposals

3.1 The Commission is proposing to establish a market stability reserve at the beginning of the next ETS trading period in 2021. The reserve, together with the recently agreed back-loading of the auction of 900 million allowances to 2019-2020, should open the way to:

- tackling the surplus of emission allowances that has built up over recent years;
- improving the resilience of the system to severe shocks;
- introducing mechanisms to automatically adjust the allowances to be auctioned.

3.2 Under the provisions of the proposed legislation, the predefined automatic adjustment mechanisms would leave no discretion to the Commission or the Member States with regard to implementation.

3.3 The proposal for the ETS from 2021 forms parts of the new 2030 framework for climate and energy proposed by the Commission — on which the EESC is also drawing up an opinion — covering a number of aspects. They include a 40 % reduction in GHG emissions compared to 1990; binding targets at EU level to bring the share of renewable energy up to at least 27 %; more ambitious energy efficiency policies; a new governance method; and a set of new indicators to ensure a competitive and secure energy system.

### 4. General comments

4.1 The Committee has always *'supported the move towards more auctioning of allowances. Auctioning is in line with the polluter-pays-principle, avoids windfall profits, gives incentives and generates funds to invest in low carbon installations and products and thus fosters innovation'* <sup>(2)</sup>.

4.2 The EESC considers it crucial to maintain a strong ETS as the keystone of EU climate and energy policy. The system should not operate in such a way as to bring about the decline of the manufacturing sector or investment leakage. This is entirely possible, by reforming the carbon market management system as an effective tool for reducing emissions in industry and other relevant sectors, and by promoting investment in innovative low carbon-emission technologies that are globally competitive.

4.3 The current measures protecting industry under the EU ETS will be largely removed by 2021 and free allocation will be completely abolished in 2027. A new CO<sub>2</sub> reduction target in 2030 for EU ETS sectors could entail additional burdens for EU industries.

4.4 Until such time as a comprehensive international climate agreement establishes a level global playing field for industry, the EU ETS should be remodelled in order to fully compensate for the direct and indirect costs of reducing carbon emissions, as a result of EU climate policies, for sectors exposed to global competition. This approach is in line with the conclusions of the European Council of 21 March 2014, which urges the development of measures for the 2020-2030 period to prevent potential carbon leakage, and calls for long-term planning security for industrial investment in order to ensure the competitiveness of Europe's energy-intensive industries.

---

<sup>(2)</sup> OJ C 27, 3. 2. 2009, p. 66.

4.5 In its opinion on the roadmap for moving to a low carbon economy in 2050 <sup>(3)</sup>, the EESC recommended that the Commission bring forward a comprehensive new package of measures to encourage the massive new investment needed to deliver these new targets, which should strengthen the ETS as a cost optimising instrument for guiding investment decisions as well as other measures. These measures should: promote energy efficiency in all sectors; raise the awareness of the general public, citizens and consumers and boost their capacity to use their purchasing power to favour low carbon goods and services, support investment in the infrastructure that will be needed, and promote training and capacity-building in the key sectors.

4.6 The Committee believes that the EU's environmental, climate, energy and industrial development strategies and policies should also be more closely coordinated in order to generate positive synergies. Taking the value of CO<sub>2</sub> allowances on the ETS market alone as the 'carbon price', ignoring the costs associated with other instruments, such as incentives for renewables or energy efficiency policies, may prove to be simplistic and incomplete, leading to evaluations that are inaccurate overall <sup>(4)</sup>.

4.7 The EESC endorses the conclusions of the Spring 2014 European Council concerning industry's needs in all areas, from energy to competition, trade and training, and in particular supports the principle that industrial competitiveness 'must be seen in relation to a coherent European climate and energy policy, including through addressing the issue of high energy costs, in particular for energy-intensive industries'.

4.8 The ETS should provide a common legislative framework for the energy sector and high energy-intensive sectors, tackling loss of competitiveness with measures to monitor carbon leakage, and speeding up the implementation of further improvements in non-ETS sectors, which account for more than half of current CO<sub>2</sub> emissions in the EU, especially in sectors with real energy efficiency potential such as construction and transport.

4.9 The EESC strongly urges that ETS reform be accompanied by robust measures to stimulate economic recovery through investment in high-potential sectors such as infrastructure, the green economy and in strategic industrial sectors such as research and innovation and, in particular, in the manufacturing sector and small and medium-sized enterprises.

4.10 The EESC is convinced that the ETS could be an effective market instrument for achieving a reduction in greenhouse gas emissions in an economically sustainable manner, in that it is capable of ensuring greater stability. It can do this by curtailing discretionary action and introducing flexibility, in line with predefined rules, based on criteria of transparency, predictability and simplicity, meaning that market operators can build supply adjustment expectations into their behaviour.

4.11 If an ETS is to be effective, it must:

- limit transition costs;
- offer predictable investment prospects;
- provide a certainty of stable objectives over the long term;
- use of the proceeds of auctions to support <sup>(5)</sup> businesses during the transition towards a low CO<sub>2</sub> emission economy and the development and application of clean technologies;

4.12 The role of the EU ETS from 2020-2030 should be to facilitate an economically efficient reduction in carbon for the relevant installations and sectors, by investing in low-carbon technologies, by using renewable energy sources and by making robust energy efficiency commitments.

---

<sup>(3)</sup> OJ C 376, 22.12.2011, p. 110.

<sup>(4)</sup> OJ C 226, 16.7.2014, p. 1.

<sup>(5)</sup> See 'Comparative study of different measures funded through the use of economic environmental instruments' (EESC 2012).

4.13 The market price of ETS allowances must continue as a valid benchmark for investments to reduce emissions.

4.14 The future ETS should retain access to international offsets, as they provide credible means of reducing emissions efficiently by harnessing opportunities to create a global carbon market.

4.15 An improved and extended Clean Development Mechanism (CDM) should be retained, and appropriate levels of support should be given to links between the ETS and the new schemes that are springing up in other parts of the world.

4.16 The EESC considers it essential that the EU make every effort to create a fully-fledged international carbon market, spreading efficient allowance trading mechanisms, open to all major partners, across the world.

4.17 New mechanisms should be developed rapidly and made available for optional use by governments, in line with their national requirements: these mechanisms should be designed so as to avoid, as far as possible, distortion of competition between regions for goods that are traded globally.

4.18 The emissions allowance trading system in fact overlaps with other European and national policies, such as incentives for renewables or energy efficiency, creating market distortions and inefficiency: revision of the system should therefore be seen in closer association with the other rules affecting greenhouse gas emissions and energy costs for industrial purposes.

4.19 Unilateral choices lead to heavier CO<sub>2</sub>-related costs (primarily energy costs) for companies and can undermine the competitiveness of strategic manufacturing sectors without securing any practical progress from the climate point of view: recent studies have shown <sup>(6)</sup> that the emissions reductions achieved in the EU are more than cancelled out by the increase in emissions embodied in products imported into the EU.

4.20 In the EESC's view, although it is extremely important to reach a global agreement on climate change in 2015 covering the countries chiefly responsible for emissions, the path of technological innovation should still be pursued by using Horizon 2020 and coordinating national investment programmes, in order to safeguard the competitiveness of manufacturing industry in Europe by promoting new and better industrial locations.

4.20.1 To reach this objective, a detailed and coordinated framework for future action must be devised, aiming at a competitive and sustainable industrial manufacturing system at global level: the EESC therefore calls on the Commission, the Parliament and the Council to prepare such a framework in keeping with the sustainable development objectives of the Millennium Development Goals as set out in the UN's Post-2015 Development Agenda.

4.21 The Committee would again point out that *'the lesson of the vulnerability of the ETS to global economic forces must be taken into account. It is clear that a globally agreed climate policy (or the failure to achieve one) will determine the future of the ETS and the outcome of the 2015 talks will be crucial and the radical remedial measures which the ETS demands cannot be undertaken without greater global policy clarity'* <sup>(7)</sup>.

4.22 The Committee would stress that the 2030 impact assessment shows that *'when auction revenues are recycled and if carbon pricing is extended to all sectors, decarbonisation policies can lead to an increase in employment'* <sup>(8)</sup>. Similarly, there are positive effects in terms of reducing emissions and improving air quality, and the EESC therefore calls for these factors to figure prominently in international negotiations.

Brussels, 4 June 2014.

The President  
of the European Economic and Social Committee  
Henri MALOSSE

---

<sup>(6)</sup> Glen P. Peters, Jan C. Minx, Christopher L. Weber and Ottmar Edenhofer (2010), *Growth in emission transfers via international trade from 1990 to 2008*, (PNAS); A. Brinkley, S. Less, *Carbon Omissions*, Policy Exchange, research note (2010).

<sup>(7)</sup> OJ C 341, 21.11.2013, p. 82.

<sup>(8)</sup> See SWD(2014) 18 final. Executive summary of the impact assessment, 22.1.2014.

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the Council and the European Parliament on the EU Approach against Wildlife Trafficking’**

COM(2014) 64 final

(2014/C 424/08)

Rapporteur: **Antonio Polica**

On 7 March 2014, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Communication from the Commission to the Council and the European Parliament on the EU Approach against Wildlife Trafficking*

COM(2014) 64 final.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 22 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 5 June), the European Economic and Social Committee adopted the following opinion by 167 votes to 1 with 2 abstentions.

## **1. Conclusions and recommendations**

1.1 The EESC recognises the recent upsurge in wildlife trafficking as a new threat to the European Union from the economic, environmental and social points of view, and in terms of protecting public health and native animal and plant species. The EESC therefore supports the initiative by the Parliament and the Commission to draw up a holistic and coordinated strategy to tackle this crime more effectively.

1.2 The EESC believes that the starting point for the strategy should be compliance with, and reinforcement and coordination of, existing international agreements (particularly CITES <sup>(1)</sup>), laws, regulations, policies and enforcement instruments, in the form of closer integration of all the relevant sectors — environmental protection, customs controls, the courts, combating organised crime, etc. — and more effective cooperation between wildlife source, transit and demand countries.

1.3 The Committee is convinced that stronger coordination will prove effective only if backed by an appropriate system of uniform training and awareness-raising targeting all the EU and Member State authorities involved in combating wildlife trafficking.

1.4 The EESC considers the role of civil society in tackling wildlife trafficking to be crucial in both the source and demand countries. The Committee attaches particular importance to the active and informed involvement of consumers and the private sector, supporting the introduction of a labelling and traceability system.

1.5 The Committee believes that third country populations involved in trafficking need to be offered new and better opportunities for sustainable development and employment.

1.6 Wildlife trafficking is growing strongly in view of its profitability and low risk of legal sanctions. In terms of the profit potential for international organised crime, this type of crime is comparable with trafficking in people, arms and drugs; however, it is assigned much lower priority and far fewer resources are committed to combating it. Moreover, the sanctions applied are uneven, even within the EU, which encourages international criminal organisations to move to countries with less severe penalties or where the competent authorities are less effective.

1.7 The EESC would therefore highlight the need to include wildlife trafficking among crimes that are relevant for the purposes of anti-money laundering and anti-corruption measures, and calls for the introduction of genuinely effective, proportionate and dissuasive sanctions such as maximum imprisonment of not less than four years.

---

<sup>(1)</sup> Convention on International Trade in Endangered Species (1973).

## 2. Introduction

### 2.1 *Background: data on wildlife trafficking*

2.1.1 Trafficking of wildlife is one of the most serious forms of organised crime, together with trafficking in human beings, drugs and weapons <sup>(2)</sup>.

2.1.2 In 2013, poaching increased to such an extent as to cancel out the recovery achieved over the three preceding decades for endangered species such as elephant, tiger and rhinoceros, representing a real threat to biodiversity conservation and sustainable development.

2.1.3 Illegal logging accounts for up to 30 % of global timber trade and for more than 50 % of deforestation in Central Africa, the Amazon and South East Asia, depriving indigenous populations of important opportunities for sustainable development.

2.1.4 Illegal fishing is estimated to account for 19 % of the reported value of catches.

2.1.5 Trafficking is on the rise under the effect of the growing demand for wildlife products, especially in certain Asian countries (e.g. China, Vietnam), such as ivory, rhinoceros horn and tiger bones.

2.1.6 The EU is a major destination for illegal wildlife products <sup>(3)</sup> as well as a vital hub for trafficking out of Africa, Latin America and Asia.

### 2.2 *Direct and indirect consequences of wildlife trafficking*

2.2.1 Trafficking in wild flora and fauna is one of the leading causes of loss of biodiversity around the world: each year, hundreds of millions of examples of rare animal and plant species are taken out of their natural environment and sold on the black market.

2.2.2 Illegal logging is leading to the deforestation of the planet's most important forest areas, with loss of biodiversity, an intensification of the greenhouse effect, and conflicts over control of land and resources together with the loss of economic power by indigenous communities.

2.2.3 Illegal fishing impoverishes fish stocks, destroys marine habitats, distorts competition and undermines coastal communities, especially in developing countries.

2.2.4 The risk of wildlife extinction is amplified by other factors such as unsustainable soil use, climate change, over-exploitation of medicinal plants and intensive tourism, especially of the 'predatory' type involving hunting.

2.2.5 There is a danger that globalised consumption will put severe environmental pressure on biodiversity, damaging ecosystems and reducing native species' ability to survive <sup>(4)</sup>.

2.2.6 Wildlife trafficking poses a threat to public health and to native animal and plant species. The animal species that pass illegally through the territory of EU Member States are not certified by veterinary services, and this can lead to the spread of diseases, particularly where farmed animal species are concerned. Avoiding proper plant health controls exposes native plant species, both cultivated and wild, to significant risk of contagion from new pathogens. Furthermore, it is estimated that 75 % of emerging infectious diseases are of animal origin, the majority of which originate in wildlife. Illicit wildlife trafficking increases the risk of global epidemics such as avian influenza H5N1 and SARS <sup>(5)</sup>.

---

<sup>(2)</sup> Resolution adopted by the UN Commission on Crime Prevention and Criminal Justice, endorsed by the UN Economic and Social Council.

<sup>(3)</sup> Recent years have also seen an increase in illegal transactions involving certain rare species, including birds, coral, fish and turtles within EU countries.

<sup>(4)</sup> In Asia, for example, growing demand for cashmere has triggered an expansion in the raising of domesticated species, closing off increasing amounts of land from the herbivore wildlife (antelope, wild horse, donkey) that provides the basic link in the food chain for local large predators (e.g. wolf or snow leopard). 'Globalization of the Cashmere Market and the Decline of Large Mammals in Central Asia', published in *Conservation Biology*.

<sup>(5)</sup> Source: WWF report — [http://awsassets.panda.org/downloads/wwffightingillicitwildlifetrafficking\\_lr.pdf](http://awsassets.panda.org/downloads/wwffightingillicitwildlifetrafficking_lr.pdf)

### 2.3 Legislative references

2.3.1 The 1973 Washington Convention (CITES) governs trade in terms of the export, re-export, import, transit and transshipment or holding for any purpose of certain animal and plant species threatened with extinction. The convention seeks the conservation and sustainable exploitation of animal and plant populations on a global scale.

2.3.2 In its Resolution of 26 April 2013, the UN Commission on Crime Prevention and Criminal Justice defined wildlife trafficking as a serious organised crime committed by organised criminal groups at international level.

2.3.3 The confirmation that some armed groups finance their smuggling activities by wildlife trafficking prompted the UN Secretary-General (Report S/2013/297) and the Security Council (Resolution 2013/2121) to recognise that poaching and trafficking of wildlife are among the factors for instability in sub-Saharan Africa, jeopardising peace and security. Furthermore, in January 2014, the Security Council for the first time adopted targeted sanctions against individuals involved in wildlife trafficking in the Democratic Republic of Congo and the Central African Republic.

2.3.4 In June 2013 the G8 leaders undertook to adopt measures to tackle the illegal trafficking of protected or endangered wildlife species and to offer political and economic support for the regional and international control of borders in order to tackle aspects such as corruption and transnational organised crime.

2.3.5 In its Resolution of 15 January 2014 (2013/2747(INI)), the European Parliament urged the Commission to draw up an EU plan of action aimed at controlling wildlife trafficking, laying down clear timelines and objectives for a strategy to act both within the Member States and at international level.

2.3.6 The February 2014 London Declaration<sup>(6)</sup> set new and more ambitious objectives in combating wildlife trafficking, including amending current legislation to categorise poaching and wildlife trafficking as 'serious crimes', renouncing the use of species threatened with extinction, strengthening cross-border cooperation and coordinating wildlife enforcement networks<sup>(7)</sup>.

2.3.7 The Final Declaration of the EU-Africa summit of 2 and 3 April 2014 set out the intention to undertake common efforts to fight organised crime, including the trafficking of wildlife.

### 3. Replies to the consultation questions

3.1 *Is the policy and legislative framework currently in place in the EU against wildlife trafficking adequate?*

3.1.1 The EESC considers that the current legislative framework in the EU Member States is not yet capable of effectively tackling environmental crime, in part due to the laxity of existing penalties.

3.2 *Should the EU enhance its approach to wildlife trafficking by developing a new EU Action Plan, as called for by the European Parliament?*

3.2.1 The current international situation points to the need for legislation that is binding on the Member States and introduces uniform criteria for effective inspection and monitoring, in part by means of coordination with specific rules on the protection under criminal law of species in their natural environment.

3.2.2 The EESC advocates adopting an action plan along the lines of those previously adopted to tackle other forms of organised crime such as the trafficking of arms or of human beings.

---

<sup>(6)</sup> Signed by the Heads of State, Ministers and representatives of 46 countries at the Conference on the Illegal Wildlife Trade (12 and 13 February 2014).

<sup>(7)</sup> Wildlife enforcement networks are regional intergovernmental initiatives to pool information and best practice on the subject: [http://www.cites.org/eng/news/pr/2013/20130307\\_wen.php](http://www.cites.org/eng/news/pr/2013/20130307_wen.php)

*3.3 How could the EU increase political commitment at all levels against wildlife trafficking? What diplomatic tools would be best suited to ensure coherence between different international initiatives?*

3.3.1 The EESC welcomes the greater diplomatic involvement of countries concerned by wildlife trafficking (mainly of source, transit and market outlet countries), which has prompted the recent signing of joint initiatives to take decisive and urgent action to eradicate the demand and supply of products<sup>(8)</sup> obtained from endangered species. The Committee hopes that the international community will take steps that can eliminate the illegal market, ensure the application of a common and secure legislative framework, and promote the sustainable management of natural resources by involving local communities.

3.3.2 The EESC urges the EU to promote a global strategy to combat wildlife trafficking, based on the redefinition of the UN's post-2015 development agenda.

*3.4 What tools at international level should the EU focus on to enhance enforcement against wildlife trafficking and strengthen governance?*

3.4.1 The Committee considers that trafficking could be more effectively monitored, intercepted and controlled at customs posts by means of coordination between the national authorities working with uniform rules, methods and aims. It would be helpful for the EU to promote action designed to facilitate efficient cooperation and sharing of intelligence work between the Member State authorities, with the specific aim of harmonising activities and approaches, not least by providing support for new partner countries (e.g. temporary mentoring).

3.4.2 The new frontier of illegal commerce is however represented by online trading, which is hard to control and could also damage legal forms of trade. The EESC notes with interest a number of best practices, such as the agreement between the Italian forestry corps and the two main online advertising sites ('eBay annunci' and 'Subito.it'), under which more information is included for the benefit of consumers and announcements considered to be suspicious can be swiftly removed. The agreement also provides for announcements to be 'filtered', allowing the publication only of those that ensure the traceability of the object on sale.

3.4.3 International involvement when entering into free trade agreements with third countries must entail calling for compliance with multilateral agreements on the environment and trade in the forestry and fisheries sectors. It is crucial to pursue the CITES objectives regarding trade in wild fauna and flora: under the convention, the parties take practical steps against smuggling and trafficking in certain species threatened with extinction.

3.4.4 The authority of the parties to the ICCWC<sup>(9)</sup>, including CITES, Interpol, the United Nations Office on Drugs and Crime (UNODC), the World Customs Organisation and the World Bank, can ensure the effectiveness of action intended to enhance capacity to apply legislation and compliance with the provisions of agreements controlling the trade in wildlife. In its work, the consortium should harness high-level professional skills in Europe in order to undertake information campaigns, support national authorities and, just as importantly, train enforcement officials and officers in the field.

3.4.5 The introduction and consolidation of the rule of law in wildlife source countries, combined with anti-corruption measures, is a precondition for eradicating wildlife trafficking. To this end, the EESC advocates direct EU involvement, including in financial terms, to help create a body of prosecutors and judges in tandem with a campaign to raise awareness among local authorities.

---

<sup>(8)</sup> London Declaration of 14 February 2014.

<sup>(9)</sup> International Consortium on Combating Wildlife Crime.

3.5 *What tools are most suitable for EU action to address international and EU demand for illegal wildlife products? What role could civil society and the private sector play in this regard?*

3.5.1 Successfully tackling wildlife trafficking depends on twin-track action to reduce supply through strategies to deter and detect fraud, and to reduce demand. The EESC considers the active and informed involvement of the private sector and of consumers to be essential to this end.

3.5.2 The EESC echoes the London Declaration in arguing for the need to introduce specific measures to ensure that the private sector acts responsibly, and calls for a labelling and traceability system to be set up to guarantee that wildlife trade is lawful and sustainable economically and environmentally and from the point of view of local communities. The systems currently established for trade in caviar and tropical wood can be taken as a reference in this regard <sup>(10)</sup>.

3.5.3 The EESC considers it to be equally important to inform and alert civil society and consumers to the extremely serious environmental damage caused by trafficking and the impact of such damage on future generations. The EESC restates its willingness to promote whatever initiatives the EU may wish to take regarding institutions (such as schools or museums) and through networks, conferences, advertisements or documentaries in and beyond the EU, making use of the EU-Africa network of economic and social players set up at the Committee.

3.6 *How can the EU best add value to address the peace and security implications of wildlife trafficking?*

3.6.1 The EESC believes that special attention should be paid in this connection to specimens of species which, on account of their high value, attract the attention of organised crime, something which threatens internal security and even world peace. In this regard, it must be ensured that appropriate steps are taken at EU and global level through cooperation with Europol, Interpol, other organisations and forums as well as key countries affected by this problem.

3.6.2 The EESC is fully aware that recent global epidemics such as avian influenza H5N1 and SARS are an indirect consequence of wildlife trafficking. The labelling and traceability systems mentioned earlier, together with an appropriate veterinary and plant health control mechanism can help here to counter the emergence and spread of such diseases around the world.

3.7 *How could the EU cooperation instruments better support the reinforcement of the capacities of developing countries for wildlife conservation and action against wildlife trafficking?*

3.7.1 International cooperation initiatives in the broader context of trade and/or partnership agreements with third countries may represent a key instrument for eradicating trafficking.

3.7.2 NGOs can play a vital role in awareness-raising campaigns in support of policies to suppress demand, providing a link between institutions and the populations concerned.

3.7.3 The Committee highlights the need to provide third country populations involved in illegal wildlife trafficking with new and greater opportunities for sustainable development and employment, which could in part be achieved by converting unlawful activities into lawful ones, such as responsible tourism <sup>(11)</sup>.

3.8 *What measures could be taken to improve data on wildlife crime in the EU so as to ensure that policy-making can be more effectively targeted?*

3.8.1 The EESC considers that the collection, compiling and analysis of data on crime (database) by international security bodies (Europol, Interpol and UNODC) could help to provide a better understanding of organised crime strategies and to prevent criminal activity.

---

<sup>(10)</sup> CITES includes an universal labelling system for the identification of caviare, which can only be imported after the appropriate permits have been obtained from the relevant authorities ([www.cites.org/common/resource/reg\\_caviar.pdf](http://www.cites.org/common/resource/reg_caviar.pdf)). Concerning trade in the forestry sector, EU legislation seeks to deter trafficking in tropical wood by supporting the introduction of national traceability systems, strengthening governance in the partner countries. Since March 2013, the EU has prohibited the import of timber and timber products from anywhere in the world if they originate from illegal logging and instructs the Member States' national authorities to monitor and, if necessary, to apply penalties to those trading in timber of questionable origin.

<sup>(11)</sup> The responsible tourism approach entails both conservation of the natural environment of the destination and a focus on maintaining the host population, who must be provided with the means to generate income. Eco-tourism will help many countries to rise out of poverty, many families to survive, and nature and animals to be protected.

3.8.2 TRAFFIC<sup>(12)</sup> can play an important role in this regard, building awareness in the international community and supporting the circulation of information on illegal trafficking among all the relevant authorities and stakeholders.

3.9 *What measures could be taken to strengthen enforcement against wildlife trafficking by environmental authorities, police, customs and prosecution services in the Member States and to reinforce cooperation between those authorities? How could awareness of the judiciary be raised?*

3.9.1 Since environmental crime is closely linked to corruption and the movements of money of illicit origin, the Committee points to need to include wildlife trafficking among offences that are relevant for the purposes of anti-money laundering and anti-corruption measures. It therefore advocates applying guidelines explaining how to use the appropriate financial instruments (e.g. due diligence) that seek more effective traceability of transactions within the EU and internationally.

3.9.2 The EESC calls for genuinely effective, proportionate and dissuasive sanctions to be introduced, primarily in order to tackle large-scale trafficking by international criminal organisations. To this end, EU legislation must ensure that wildlife trafficking is included by the Member States among the 'serious crimes' punishable with maximum sanctions of at least four years' imprisonment.

3.9.3 For the EESC it is crucial to raise awareness among all the authorities involved in combating wildlife trafficking, providing appropriate training for enforcement staff and also for competent judicial bodies. This work should tie in with the new coordination procedures between national authorities in the EU, where possible also bringing in third country authorities.

3.10 *How could existing tools against organised crime at EU and Member States level be better used to address wildlife trafficking? What additional measures should be envisaged, e.g. regarding sanctions? What contribution could Europol and Eurojust make in that regard?*

These crimes should become a priority target for Europol, involving strategic coordination with Member State police forces, as indicated by the European Commission, capable of effectively combating the capture, collection, holding, trafficking and sale of protected species of flora and fauna as well as trade and trafficking in parts and products based on them.

Brussels, 5 June 2014.

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

---

---

<sup>(12)</sup> <http://www.traffic.org/>

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Together towards competitive and resource-efficient urban mobility’**

COM(2013) 913 final

(2014/C 424/09)

Rapporteur: **Edgardo Maria IOZIA**

On 7 March 2014, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Together towards competitive and resource-efficient urban mobility*

COM(2013) 913 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 21 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 132 votes with 3 abstentions.

## **1. Conclusions and recommendations**

1.1 The European Economic and Social Committee (EESC) endorses the Commission communication of 17 December 2013 and attaches great importance to the continuation of programmes that support the development of effective and sustainable urban mobility such as CIVITAS, IEE, etc. The combination of ambitious projects, such as those proposed, and the scarcity of available financial resources calls for a thorough and careful review of all options for urgent initiatives in the area of sustainable mobility.

1.2 The EESC considers it essential to:

- adopt realistic integrated and coordinated plans, that are continually monitored and which focus on both mobility of persons and the logistic chain and which cater for all members of society, especially those with reduced mobility;
- harness the principle of subsidiarity, just as the Commission has wisely struck a balance between the various levels of responsibility, particularly by actively involving the Member States;
- promote the harnessing of financial resources, also by making use of private capital;
- involve the general public, social organisations and civil society, in order to make sustainable mobility a challenge that is taken up by the whole community;
- support the exchange of good practices, through a comprehensive single European portal;
- boost the Covenant of Mayors;
- increase the financial commitment of the EU and the EIB, which should be the drivers for European-scale implementation of the sustainable urban mobility project, which would affect 70 % of EU citizens;

- step up coordination between public authorities and private-sector players that deliver supplementary urban transport services, taking a holistic, targeted approach;
- endeavour to attain consistent logistics, actively geared to achieving the objectives of 'resilient' or 'transition' towns, in which all stakeholders work together to enhance the living conditions and health of the local population;
- manage public-private complementarity, opening the market to competition, provided that there is full compliance with social safeguards, price control and environmental sustainability;
- devise standard guidelines for the specifications of public transport vehicles, creating a European market in which economies of scale can be achieved with centralised purchasing.

1.3 The EESC agrees on the strategic role played by urban mobility in the drive towards smart cities that are on a human scale, able to meet environmental challenges, and adapt to new situations, and emphasises the continuous need to overcome the sector-specific approach that frequently still characterises transport policies.

1.4 The measures to be taken should take due account of the need to strike a balance between the social, economic and environmental aspects, the three strands of sustainable development.

1.5 The EESC is not opposed to opening up urban transport to competition and the market, provided that the following are safeguarded: workers' rights and jobs, a distributed network, enhancement of the service, and prices. There should be constant monitoring to ensure that there is rigorous compliance with contractual terms.

1.6 The EESC believes that an effective, efficient and sustainable transport policy should be based on:

at EU level

- making sustainable mobility plans an EU-wide experience, involving the city in initiatives on the ground, to improve public perception of the need also to change long-standing patterns of behaviour;
- a major boost for the Covenant of Mayors on energy efficiency, which includes efficiency in urban mobility;
- funding of the necessary measures by harnessing EU resources, such as the Structural Funds and Horizon 2020, for research and innovation in the sector;
- EIB funds at subsidised rates and the development, where possible, of public/private partnerships (PPPs) for creating and managing major urban infrastructure;

at national level

- incentives for transport to become more efficient and less polluting, and the use of new technologies;
- enforcement of the right, in particular of people with reduced mobility, to sustainable mobility;

at local and regional level

- intermodality;
- the development of teleworking clusters;

- joint training policies for public officials and practitioners in the sector, in order to develop unified expertise and strategies;
- targeted and sustainable policies regulating access to central urban areas;
- coordination with areas bordering large urban centres, to achieve unified strategies;
- involving the public in the quest to find the best solutions;
- ongoing monitoring of the results achieved and appropriate and swift adjustments of measures that are not working;
- awareness-raising to encourage responsible use of public and private transport;
- the development of cooperation between undertakings to coordinate transport to and from production complexes and crafts districts; and
- involving the target groups, i.e. groups of people with similar needs, in order to assess together the features of services geared to specific needs.

1.7 The EESC underlines the importance of closer cooperation between the competent public bodies and the general public, and refers to the words of the Commission's Action Plan on urban mobility<sup>(1)</sup> paying particular attention to the mobility needs of vulnerable groups such as the elderly, low-income groups and persons with reduced mobility, who require specific policies.

1.8 The EESC believes that the Commission should have once again been robust in tackling these aspects, which constitute unacceptable discrimination. The Commission should ensure that the Member States guarantee this fundamental European right — the right to mobility — for all citizens, without discrimination.

1.9 The EESC calls for the issue of poverty and mobility to also be addressed and resolved, just as the EU has done in the case of energy poverty and poverty in other areas; the Member States should provide for measures in support of the poorest and most vulnerable sections of society. The right to mobility is a universal right and cannot be limited to the well-off.

1.10 The EESC draws attention to the potential of urban logistics as an element of improved efficiency and sustainability. Logistics should therefore be given adequate attention in urban planning and in cooperation projects. The EESC also welcomes the initiatives planned by the Commission in this field.

1.11 The EESC calls on the Commission to draw together all initiatives and policies in the field of urban mobility into a single instrument. There are currently at least five portals dedicated to this issue, which represents a drain on resources and their effectiveness.

1.12 Europe and the Member States need to develop a common integrated policy, with a shared and ambitious vision. People need to be educated about alternative and less polluting forms of transport. Education is the primary means of bringing about change: rediscovering the beauty of walking around cities, cycling to get to work or to meet up with friends. Public authorities should encourage this sustainable mobility through cultural initiatives, developing historical or architectural routes in city centres, offering guided walks, and supporting the organisation of cycling tours that draw people's attention due to their lively approach and encourage others to do the same.

1.13 Today's cities will undergo far-reaching changes in the areas of architectural and urban planning in the coming decades. The EESC recommends that all available measures be disseminated. ICT, urban innovation and local initiatives are making it possible to improve mobility and to make cities more liveable for future generations.

1.14 The EESC recommends giving due consideration to the need for an equitable and even distribution of the urban transport network, so as not to force people who live in areas that are badly served or not served at all by public transport to be confined to modern urban ghettos.

---

<sup>(1)</sup> COM(2009) 490 final/2.

1.15 Solid and coherent coordination must be developed between all public and private decision-makers at all levels. Sustainable urban mobility plans, consistent with targets for the climate, the environment and energy, health protection and time and energy savings, which are key drivers for the economy, should become a priority at all levels in the EU.

1.16 The Committee advocates the adoption of practical measures aimed at developing paths for cyclists and pedestrians dedicated exclusively to this type of urban mobility; this should be done wherever possible and in connection with public transport intermodal hubs.

## 2. Introduction

2.1 Europe is one of the most urbanised continents in the world. Today, more than two thirds of the European population lives in urban areas and this share continues to grow ("Cities of tomorrow" European Commission report, 2011). In many cities, mobility is increasingly difficult and resource inefficient, and is often characterised by chronic traffic congestion, which is estimated to cost EUR 80 billion annually (Total cost arising from congestion: See SEC(2011) 358 final), poor air quality, accidents, noise pollution and high CO<sub>2</sub> emissions. In Europe, urban mobility is still heavily reliant on the use of conventionally-fuelled private cars.

2.2 Siim Kallas, vice-president of the European Commission and Commissioner for Mobility and Transport, said: 'Addressing the problems of urban mobility is one of the great challenges in transport today. With coordinated action we can be more successful' ([http://europa.eu/rapid/press-release\\_IP-13-1255\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1255_en.htm)).

2.3 The European Parliament and the Council of the EU have acknowledged that improving energy efficiency and energy savings requires adopting appropriate strategies within the transport sector in order to address the problem of energy use and greenhouse gas emissions. This rationale led to the adoption of Directive 2009/33/EC of 23 April 2009, which was intended to stimulate the market for clean and energy-efficient road transport vehicles, taking into account their energy and environmental impacts throughout their life-cycle.

2.4 The **White Paper — Roadmap to a Single European Transport Area — Towards a competitive and resource-efficient transport system COM(2011) 144 of 28 March 2011** — aims to develop a modern and competitive transport system, stimulating economic growth and employment, reduce European dependence on oil and cut CO<sub>2</sub> emissions.

2.5 In the EU, transport is currently responsible for a quarter of all CO<sub>2</sub> emissions and contributes substantially, especially in urban areas, to the deterioration of air quality (through particulates, NO<sub>x</sub>, HC and CO). The use of alternative fuels to petrol and diesel would reduce the environmental impact of road transport, provided that these alternative fuels are produced sustainably.

2.6 In its opinion on the *Action Plan on urban mobility* <sup>(2)</sup>, the EESC warmly welcomed the European Commission's 2009 publication of an urban mobility plan, offering local, regional and national authorities ways of providing the best possible, most sustainable quality of life in urban areas. Most of the proposed measures were not, however, binding.

2.7 Among others, the objectives for a competitive and resource-efficient transport system proposed by the Commission are to 'Halve the use of "conventionally-fuelled" cars in urban transport by 2030'; and to phase them out completely by 2050; achieve essentially CO<sub>2</sub>-free city logistics in major urban centres by 2030 and 'by 2050, move close to zero fatalities in road transport' <sup>(3)</sup>.

2.8 To give a brief overview of the initiatives implemented by the European Union with a view to achieving sustainable urban mobility, this opinion draws attention to the recent Commission communication *Together towards competitive and resource-efficient urban mobility*. With their high population densities there is a greater potential for cities to shift the current development model towards a more efficient use of the available resources.

---

<sup>(2)</sup> OJ C 21, 21.1.2011, pp. 56-61.

<sup>(3)</sup> COM(2011) 144 final.

2.9 The new environmental challenges that towns and cities and their inhabitants will face in the near future have helped reinforce the crucial importance of urban mobility in building 'resilient' or 'transition' towns. When considering urban mobility policies, the concept of resilience should provide a decisive push towards a more effective integration of urban change, ensuring an integrated governmental approach to policies for the environment, energy and mobility.

2.10 The EESC endorses the use of an integrated approach that promotes measures in the various fields such as the environment and health, clean and energy-efficient technologies, improvements to infrastructure, urban planning and transport, freight delivery logistics, innovation and research, road safety and raising public awareness.

2.11 The EESC stresses the importance of the focus on reducing road accidents and improving people's health by adopting long-term strategies aimed at implementing all measures that can help achieve ambitious targets. The value to society of every human life saved by these policies, every accident averted, every citizen protected, cannot be overestimated, and this should be the yardstick for assessing the urgency of the measures.

### **3. European urban mobility initiatives**

3.1 European-level strategies and initiatives have been geared towards facilitating forms of sustainable urban mobility, such as promoting innovation in all aspects of urban transport, fostering an intermodal urban system, policies for public transport and journeys on foot and by bicycle, and the mainstreaming of urban mobility into an integrated and strategic framework for urban development. Unfortunately, the available funding has been cut and is not sufficient to cover the initiatives that need to be taken at the various levels. The Member States have also imposed funding cuts on local authorities, which have had to put a brake on their plans to improve urban mobility. What is urgently needed is a radical paradigm shift, a return to the virtuous path of investment and employment, and, above all, a rapid improvement in people's quality of life.

#### **3.2 Smart Cities and Communities**

3.3 The European Innovation Partnership (EIP) on Smart Cities and Communities builds on the Smart Cities and Communities Initiative launched by the European Commission in 2011. It brings together representatives of the public, business and communities and provides a forum in which they can identify, develop and implement innovative solutions and make them a reality. Sustainable urban mobility is one of the main strands the EIP will focus on, together with sustainable neighbourhoods and the built environment, infrastructure and integrated processes in the energy, information and communication technologies and transport sectors.

#### **3.4 CIVITAS**

3.5 Since 2002, the CIVITAS initiative, co-financed by the European Commission, has given cities a breath of fresh air by introducing sustainable transport systems in more than 200 European towns and cities and is today an extremely active network in this field. Under Horizon 2020, the Commission plans to extend this initiative to cover the use of innovative technologies to achieve competitive and resource-efficient mobility. The EESC has on several occasions stressed the importance of this initiative and of other initiatives taken to promote sustainable mobility.

#### **3.6 The Trans-European transport network (TEN-T)**

3.7 The European Union supports projects of common interest in urban areas, such as improving urban logistics operations which are part of national or international supply chains.

#### **3.8 The Covenant of Mayors**

3.9 Only slow progress is being made in shifting towards more sustainable modes of urban mobility. The Covenant of Mayors initiative launched by the Commission in 2008 encourages the signatories to incorporate issues relating to transport and urban mobility into their Sustainable Energy Action Plans (SEAP), ensuring the involvement of the general public and of civil society as a whole (Covenant of Mayor SEAP guidelines).

#### 4. Gist of the communication

4.1 The Commission communication draws attention to the current difficulties and inefficiency in mobility within Europe's cities, addressing issues such as serious traffic congestion, high CO<sub>2</sub> emissions, air quality, urban road fatalities, and impacts on human health.

4.2 The aim of the communication is to increase support for European cities in their fight against problems relating to urban mobility in order to ensure sustainable development and to achieve the aims of a more competitive and resource-efficient European transport system.

4.3 The Commission will consequently boost its support measures for sustainable mobility in areas with established EU added value, as follows:

4.3.1 *Sharing experiences and showcasing best practices*: appropriate measures for disseminating best practices, dedicated web portals and the establishment of a team of European experts are at the heart of the activities that the Commission has decided to embark on.

4.3.2 *Providing targeted financial support*: using the Structural Funds and European investment, the EU will be able to put in place practical and shared measures, particularly in the EU's less well-developed regions. Structural Funds, European Social Fund and other available funds will continue to finance the expenditure commitments for urban transport.

4.4 Supporting research and innovation: the CIVITAS 2020 initiative under Horizon 2020 will enable towns, business, universities and other stakeholders to develop and test new approaches to problems of urban mobility.

4.4.1 More specifically, the Commission proposes to work on:

4.5 Involving the Member States: the Commission calls on Member States to create the right conditions for towns, cities and metropolises to develop and implement their plans for sustainable urban mobility. This is the Commission's main focus, and it is vital that it receives wholehearted and positive responses from the Member States. Subsidiarity is an essential, win-win strategy here, provided that everyone plays their part with real commitment.

4.6 Working together: the Commission puts forward a set of specific recommendations to leverage coordinated action across all levels of government and between the public and private sectors on four aspects:

- urban logistics,
- urban access regulation,
- the deployment of urban Smart Transport System (STS) solutions, and
- urban road safety.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions energy prices and costs in Europe’**

(COM(2014) 21 final)

(2014/C 424/10)

Rapporteur: **Mr ADAMS**

On 15 January 2014, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the:

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions — Energy prices and costs in Europe*

COM(2014) 21 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 21 May 2014.

At its 499th plenary session, held on 4 and 5 June 2014 (meeting of 4 June), the European Economic and Social Committee adopted the following opinion by 140 votes to 10 with 13 abstentions.

## **1. Conclusions and recommendations**

1.1. Energy prices, taken as a whole, have reached and are likely to further exceed current historically high levels. Many domestic consumers across the EU are experiencing this as a severe impact on their budgets, industrial consumers are often similarly affected. This Communication stresses the need for greater understanding in civil society of how the composition of energy prices can reconcile our climate targets with our need for energy security. Without this understanding neither political will nor consumer acceptance can be forthcoming.

1.2. Energy prices can comprise an important competitiveness factor for industry. However, an economic analysis of industrial competitiveness should not be limited to energy prices. Other key factors such as energy intensity and the share of energy costs in total production costs as well as in profit margins should also be considered. It is essential to have global coherence in limiting climate change. Leadership by Europe may risk consequences of uncompetitiveness, industrial relocation and carbon export.

1.3. Energy efficiency, renewable energy, and other indigenous sources of energy can all improve security of supply but each have factors of cost, risk, environmental impact and social acceptance attached. As national approaches and attitudes will vary transparent cost analysis and a revision and better coordination of support instruments (like feed-in regulations and tariffs) are vital in determining an acceptable energy mix in each Member State and cooperation with neighbouring countries is equally important.

1.4. It is necessary to secure the capacity of industry to adapt in the future as it did in the past and bolster the capacity of the energy sector in particular to carry out the necessary investment in the energy system. This will require firm governmental commitments which must be consistent with a European internal energy market (IEM).

1.5. The IEM must be completed but to deliver its full potential it needs to be backed by appropriate Market Based Instruments (MBIs), a genuine coordination of national energy policies at EU level and a clear common direction. A renewed emphasis on transparent and accurate data is a necessary precondition. The specific situation of the individual Member States — for example in relation to existing ‘energy islands’ — should be taken into account. Price reviews should bear in mind that without properly developed infrastructure, something which requires significant investment, the internal energy market cannot be completed, nor can its benefits be enjoyed by the Member States.

1.6. Cost-optimisation through closer EU coordination and solidarity is vital especially as the levers of energy policy remain under the direct control of Member States. Such coordination has been weak in the past; a new approach is needed. Solidarity by Member States in the face of increasing uncertainties about supply is also vital together with an increased emphasis on further joint research and development to solve the problems apparent in the energy production and supply chain.

1.7. The development of liquid gas hubs among groups of Member States can optimise and reduce costs by contributing to decoupling oil and gas prices and improving flexibility for generators.

1.8. To enhance coordination, the EESC urges action on and direct support for an extensive programme integrating dialogue about energy at an European level. This should involve energy consumers, domestic and industrial, and the commercial and institutional stakeholders in the energy chain, alongside local, regional and national authorities.

1.9. This European Energy Dialogue (EED), inclusive, representative, independent and transparent, should also provide the basis for the new governance process proposed by the Commission to deliver the energy and climate targets proposed in the framework package for 2030.

## 2. Introduction and background

2.1. For several years energy prices, especially electricity, for most EU domestic and industrial consumers have risen at a rate in excess of inflation. Households across Europe have seen an impact on their domestic budgets and there has been a significant increase in energy poverty in some Member States. The competitiveness of some industries has also been affected, especially that of energy intensive industry. In the past industry has often responded to high prices by improving energy efficiency and specialising in high value-added production but it can be argued that the scope for doing this is decreasing. The economic downturn has added further pressure and, in spite of energy efficiencies and cut-backs, costs continue to increase for most consumers.

2.2. Two major reports directly relevant to prices and costs are contained in the package presented by the European Commission in January 2014. One is the staff working document on Energy Prices and Costs, the other is on Energy Economic Developments in Europe. The package sets energy and climate objectives for the period to 2030 and proposes that climate protection, maintaining industrial competitiveness and offering the citizen affordable energy can be reconciled. This will require a shared understanding, recognition and communication of the concrete economic, social and environmental benefits that come from reducing emissions and greening the economy. Implicit in the package is a recognition that public support will be vital and that a more realistic approach to the challenges, particularly financial, will be required. The Commission argues that 'the objectives send a strong signal to the market, encouraging private investment in new pipelines and electricity networks or low-carbon technologies' <sup>(1)</sup>.

2.3. The communication on energy prices and costs, the subject of this Opinion, indicates, as does the IEA <sup>(2)</sup>, that a combination of world market prices, vital large scale investment in infrastructure and energy efficiency, together with climate-related levies, will see the price of energy continue at its current historically high level. Not only can this have a severe impact on consumers but also the current wholesale electricity price for the power sector of around 40 EUR per MWh will not allow the sector to undertake the necessary investments required for both replacing aging assets and to address climate change. This Opinion concentrates on the likely response of civil society and the degree to which strong market signals and political responsiveness can be established to achieve policy targets.

---

<sup>(1)</sup> Introduction: [http://ec.europa.eu/energy/2030\\_en.htm](http://ec.europa.eu/energy/2030_en.htm)

<sup>(2)</sup> World Energy Outlook, IEA, 2013.

### 3. Summary of the Commission's Communication

3.1. In the five years following 2008 retail energy prices in Europe rose, in some Member States quite significantly, despite relatively stable wholesale electricity prices and steady wholesale gas prices. The impact on domestic and industrial consumers, particularly during the period of economic downturn, was considerable and is likely to continue. There is also wide variation between Member States with some consumers paying 250-400 % more than others. A significant part of these increases have been due to rises in transmission and distribution costs and increases in taxes and levies. Nevertheless the cost of primary energy remains the single largest factor in the price composition.

3.2. EU governments need to complete the internal energy market in 2014. Liberalising the market will boost investment and competition and improve efficiency in several areas, with possible benefits in the form of lower prices. Consumers and industry (particularly small and medium-sized businesses) can lower the price they pay by switching to cheaper energy suppliers, where suppliers are sufficiently numerous.

3.3. EU governments also need to develop energy infrastructure further, diversify energy supplies and supply routes, and take a unified stance when negotiating with major energy partners.

3.4. Member States should also ensure that energy policies funded by end-users and taxpayers are applied as cost-effectively as possible and follow best practice.

3.5. The EU and the governments of member countries need to do more to compare network costs and practices. The convergence of network practices across Europe has the potential to improve efficiency and cut the network cost element of prices.

3.6. Domestic consumers and industry can, to some extent, keep energy costs down by improving energy efficiency. Voluntary actions by consumers to adjust the amount or timing of their energy consumption (demand response) and innovative energy technologies can help save energy and money.

3.7. The EU must continue its efforts with international partners on energy subsidies and export restrictions and help protect certain industrial consumers through fiscal transfers and exemptions and cuts in taxes and levies.

3.8. In essence, the Commission argues for the completion of a single market for energy in the EU and suggests that action should be taken by households and industry alike to improve their energy efficiency, adopt demand response and other novel energy technologies and innovations to save energy and money and that Member States need to significantly upgrade transmission and distribution. It is noted that the growth in renewables can have a direct impact on improving energy security. It is also recognised that for domestic consumers in some Member States energy poverty will need action, primarily through social policy measures. Should the anticipated declining competitive situation in energy for industry develop it could also be addressed, primarily through the WTO, by minimising subsidies for energy by international competitor countries and also by other fiscal transfers.

### 4. General comments

4.1. There are three vital aspects to the strategic response proposed by the Commission. Irrespective of the completion of the internal energy market, can a strong case be made for a continued or enhanced approach to a 'green' economy as stressed in the 2030 framework and what would this involve for energy prices and costs? Secondly, can civil society be convinced through an effective social dialogue that such an approach is valid and acceptable? Thirdly, will it be possible to stimulate the market to generate private investment in Europe in new pipelines and electricity networks and low-carbon technologies.

4.2. Energy as a whole, in its various forms, is easily the most widely traded global commodity by value. The central role of energy in economic development ensures that research, exploration, development and the production and transmission of energy will demand massive investment for the foreseeable future. This also applies to the need, recently highlighted, to obtain a secure supply of energy. This is usually characterised by the phrase, 'The lights must be kept on', 'light' being understood as the standing for the indispensable role of energy in modern society. It is necessary to recognise that, at present, other objectives in energy policy, whether national or at EU level, are likely to be contingent on security of supply, a factor which needs greater recognition in the communication, and that ensuring this may also carry additional costs.

4.3. At the same time, if the short to medium term costs of transition to low-carbon energy production are to be met several important factors at a global level must also continue to be recognised and re-emphasised.

- Energy production is creating a significant environmental impact on our planet and ourselves, primarily through climate change but also through adverse health effects;
- 82 % of our current global energy demand is supplied by fossil fuel, a long term finite resource;
- The assumed constraint of resource availability (peak oil, etc.) is less applicable due to new exploration or development of new extraction processes and market pressures to use unconventional fossil fuel resources will be considerable;
- Exploiting just one third of the known resources of fossil fuels is more than sufficient to push the planet beyond the GHG 450 ppm (i.e. 2 °C) level yet new exploration and extraction techniques continue to receive huge investments <sup>(3)</sup>.

Inevitably, an energy-transition out of fossil fuels has to be accomplished. The speed of transition is vital — quick enough to prevent excessive climate impact whilst maintaining stable economic and social structures. A joint global effort will be critical and maintaining the EU's economic capacity to contribute to this transition will be essential. It is essential to have global coherence in limiting climate change. Leadership by Europe may risk consequences of uncompetitiveness, industrial relocation and carbon export.

4.4. To date it is clear that markets on their own often fail to address social and environmental issues — this is not their role. The EESC believes that markets, good though they often are at delivering short-term cost and efficiency objectives, have to be transformed by effective Market-Based Instruments to enable them to deliver social priorities <sup>(4)</sup>. This requires good regulation, the support and engagement of civil society and the development of a robust commitment to corporate social responsibility.

4.5. Without the understanding by society of the dilemma that both the EU and the world is facing neither political will nor consumer acceptance can be forthcoming. In all probability prices will continue to rise. Consumers will continue to strongly object to such rises. The challenge is to reduce the political and social impact.

4.6. The EESC believes that the most effective approach is to fully engage European energy consumers, domestic and industrial, and the commercial and institutional stakeholders in the energy chain in an active and creative dialogue about these issues, which will lead to action.

---

<sup>(3)</sup> *The Burning Question*, Mike Berners Lee, Greystone Books, 2013.

<sup>(4)</sup> OJ C 226, 16.7.2014, pp. 1-9.

4.7. There is little evidence of this approach in the current Communication. Although 'markets' are referenced 41 times there are only three insignificant references in total to 'involvement', 'citizen', 'dialogue', or 'consultation'. A similar pattern is also found in the 2020-2030 policy framework document.

4.8. Consistency and action is vital on this topic. The 2011 framework document 'Energy Roadmap 2050' recognised and expanded on this point — 'Engaging the public is crucial' (para.3.4) but little action has been taken.

4.9. The EESC therefore urges the EU institutions and Member States to adopt and act on, as a matter of urgency, the framework for a European Energy Dialogue adopted by the Committee in 2013 in its Opinion on 'Needs and methods of public involvement in the energy policy field' <sup>(5)</sup>. Such a dialogue would play a formative role in establishing and maintaining an EU-wide governance process for delivery of energy and climate targets.

4.10. Such a process should emphasise:

- a much greater emphasis on transparency, firm regulation and governance at all levels;
- greater citizen/consumer understanding of and trust in the operation of the energy market with appropriate training and advice;
- greater public involvement in determining the national and EU energy mix;
- the flexibility of Member States to choose policies best-matched to national energy mix and preferences, whilst moving towards convergence at EU level;
- achieving national targets (GHG, RES and energy efficiency) in the context of market integration.

4.11. The variation in energy prices across the EU has previously been noted. Although variability in production and supply costs play a part in this the wide range of imposed taxes and levies on energy is a significant contributing factor. In all Member States energy taxes form a significant part of government revenue and even when taxation on oil is excluded the challenge of finding other revenue sources to replace any tax reduction would be substantial <sup>(6)</sup>.

4.12. However, it should also be noted that a high tax regime on some types of energy has come to be accepted, albeit grudgingly. In the EU oil taxes constitute over 55 % of the price compared with, for example 14 % in the USA and 41 % in Japan.

4.13. The specific situation of the individual Member States — for example in relation to existing 'energy islands' — should be taken into account. Price reviews should bear in mind that without properly developed infrastructure, something which requires significant investment, the internal energy market cannot be completed, nor can its benefits be enjoyed by the Member States.

## 5. Specific comments

5.1. The 'internal energy market' is particularly problematic because security of energy supply is a vital national interest, which, in spite of progress towards an internal energy market, remains largely under direct state control or influence. Technical, resource and geographic factors have also contributed to the difficulty of market delivery, compared, for example, with many categories of consumer goods.

5.1.1. The target of completing a single market for electricity and gas, set in the 2009 third energy package, will not be met and major aspects of energy liberalisation have proved hard to deliver. Achieving the benefits of market integration has met government, corporate and societal resistance. In some Member States it is perceived that the comprehensive changes in which energy is produced, distributed and consumed may have unacceptable effects.

---

<sup>(5)</sup> OJ C 161, 6.6.2013, pp. 1-7.

<sup>(6)</sup> Energy Policy and Energy Taxation in the EU: IREF Europe.  
[http://www.irefeurope.org/en/sites/default/files/Energy\\_policy\\_EU.pdf](http://www.irefeurope.org/en/sites/default/files/Energy_policy_EU.pdf)

5.1.2. Although wholesale price convergence is generally taking place in Central and Western Europe retail prices are not converging due to Member States applying varying national schemes to support investments in the energy sector and due to implementing varying national policies on how to distribute these support costs across final consumers. Consequently, a 'shallow' electricity market is developing that merely optimises the usage of the existing European system. However, this is insufficient as a 'deep' market that incentivises optimal investments on a European scale is required both to allow these investment to happen and to make sure they are cost-efficient. For example a revision and better coordination of support instruments (like feed-in regulations and tariffs) is vital.

5.1.3. This requires increased market liquidity and hub-pricing, in particular for gas. Gas markets have been established in some Member States but they are still not liquid enough to offer a viable alternative to — expansive — oil-indexation and provide the market-based pricing. It is therefore essential to develop regional gas hubs and improve the interconnectivity between them in terms of transmission capacity, contractual arrangements and access to the market, particularly flexible tranches of supply. Granting power generators access to gas markets gives them more flexibility to optimise generation periods. They can avoid generation during loss-making periods and preserve the competitiveness of the plants, thus reducing uncovered costs to be passed on to consumers.

5.1.4. There is still uncertainty about the in-depth composition of energy prices across Member States. The detailed research that is ongoing by the Commission on making both energy price composition and the extent and impact of energy subsidies less opaque is critical in establishing the basis for a level playing field for energy production and pricing. There is a need to continuously acquire data on energy prices and costs at plant level in order to improve transparency on the operating conditions that industry sectors deal with but also to base policy on sound data. It is crucial to ensure transparency as a first step towards cost-efficient policy choices and a meaningful political discussion with the public. This also applies to the composition of profit levels of energy suppliers. The absence of appropriate statistics may undermine the credibility of decisions presented as evidence-based. Such statistics should be made available at each governance level.

5.1.5. Industry can make investments and has done so in the past to reduce the intensity of energy use. Such investments, however, require an acceptable pay-back and these investments tend to become more expensive over time.

5.1.6. In the past the EU and Member States have helped to protect vulnerable industries by a mix of free allocation, exemptions from taxes and levies and, in some limited cases, by compensation. Given that the gap between the costs for climate policy in the EU and some of its major trading partners will not reduce any time soon, the European Commission should assess the existing framework and examine new approaches, which are more internal market compatible to address vulnerable industries.

5.1.7. As energy security is a vital state interest governments will accept contingent extra costs to ensure supply. Also because Member States, for reasons of sovereignty, find it difficult to agree a satisfactory EU-level governance process this leads to them being willing to tolerate sub-optimal market design. Nevertheless in situations of energy uncertainty solidarity is crucial to sustained energy provision.

5.1.8. Overall, there is little sign that the widely varying national energy policies being pursued by Member States recognise the need for deeper integration at EU level. This undermines the internal energy market and sends confusing investment signals. The EESC believes that a decisive step towards a real European Energy Community is necessary to coordinate national energy strategies, particularly with a view to securing the EU's energy supply at the lowest cost.

## 5.2. *The greening of the economy*

5.2.1. In principle the move to a more sustainable, resource efficient economy is well established. In practice, economic downturn, global competition and disagreement about priorities between Member States have affected the speed and effectiveness of the transition <sup>(7)</sup>.

---

<sup>(7)</sup> OJ C 271, 19.9.2013, pp. 18-22.

5.2.2. Political statements on greening the economy have often paid lip service to the EU's sustainable development objective, recognising neither the scope of economic and societal change that this would imply nor the structural obstacles.

5.2.3. This objective has often been misinterpreted as making existing economic activities 'greener' i.e. lower carbon, and maintaining the hope that this would result in more growth and jobs. However greening the economy requires much deeper transformations of production and consumption patterns — and lifestyles — than are probably socially acceptable within a decade. Virtually all economic activities would need to be transformed and in the transition period from the traditional to the green economic pattern the level of growth and jobs creation is uncertain. This should be backed by coordinated efforts in research and development.

5.2.4. Similarly the obstacles to a swift, effective and virtuous greening of the economy have been drastically downplayed. Pricing plays a part in the following issues for example:

- reluctance of economic sectors (vested interests) and therefore of politicians;
- the advantages that existing technologies have due to paid down infrastructures;
- lack of effective carbon pricing;
- effective regulation of green claims;
- technology and political risk of new low-carbon technologies;
- job losses and possible reluctance in retraining workers;
- issues of industrial transformation and their social impacts;
- funding issues in a context of low (or negative) economic growth and 'budget consolidation';
- intense international competition;
- the low carbon economy would need strong social and political consensus, massive private and public investments backed by easy access to funding and a clear strategic vision, in effect a planned 'green' economy.

5.2.5. Nevertheless the greening of the economy will need to happen. The scope is considerable and highly demanding but there is no choice if we are to secure a sustainable future. To achieve this goal will require setting a pace which recognises the balance between political credibility, economic power, stable social systems and citizen choice. However the preconditions are not being met, particularly in terms of public engagement to address the obstacles. It is also true that clear benefits can accrue such as developing market leadership in sustainable and low carbon energy. The EU is well advanced in introducing low carbon electricity into various forms of heat substitution and also has a large sector developing sustainable transport innovations.

5.2.6. The role of energy savings and efficiency is vital in cost minimisation. Domestically, there are still many benefits to be taken through consumer demand management. Notable examples of efficiency and use reduction are proliferating in public sector buildings (largely confined to new build) and the drive for more industrial energy efficiency, well-established in some sectors, can still achieve savings for many businesses.

5.2.7. Market Based Instruments (MBIs) have played a very significant role in encouraging a reorientation of Member States' economies. However, for the most part there has been a lack of consistency across the EU in the scale and use of taxes, levies, subsidies and other MBIs. This has been particularly noticeable in relation to energy. MBIs must therefore advance the transition to a resource-efficient and low carbon economy and support economic recovery<sup>(8)</sup>.

---

<sup>(8)</sup> OJ C 226, 16.7.2014, pp. 1-9.

5.3. The indispensable requirement for effective governance in achieving EU energy and climate targets proposed in the climate and energy package has clear links with establishing consistent market parameters through national energy regulators. The EESC firmly advocates a more coordinated energy policy with consistent, convergent governance of national policies as a step towards pan-EU cost optimisation and therefore supports the Commission's initiative. It believes, however, that an in-depth reflection is necessary to make sure the system will truly deliver its objectives and is of the view that the Committee can make a useful contribution to the forthcoming Commission proposals, in particular in terms of:

- balancing flexibility with achieving the energy objectives,
- strong public involvement and legitimacy for national and EU measures,
- promoting Member States' ownership of the process,
- delivering consistent and trusted convergence at EU level.

5.4. The Commission faces the task of devising a governance system that is effective in terms of enforcement but flexible enough to secure Member States' backing. The EESC therefore proposes, in close cooperation with the Commission, initiating a politically neutral reflection inclusive of all stakeholder voices. Its objective would be to devise an effective, flexible and inclusive governance system. Both the process of public engagement and the governance system itself are vital in moderating and explaining the challenge of energy prices and costs.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the ‘Proposal for a Directive of the European Parliament and of the Council on the approximation of the laws of the Member States relating to caseins and caseinates intended for human consumption and repealing Council Directive 83/417/EEC’**

COM(2014) 174 *final* — 2014/0096 COD

(2014/C 424/11)

On 2 April 2014, the European Parliament and on 10 April 2014 and the Council respectively decided to consult the European Economic and Social Committee, under Article 114 of the TFEU, on the:

*Proposal for a Directive of the European Parliament and of the Council on the approximation of the laws of the Member States relating to caseins and caseinates intended for human consumption and repealing Council Directive 83/417/EEC*

COM(2014) 174 *final* — 2014/96 COD.

Since the Committee endorses the content of the proposal and feels that it requires no comment on its part, it decided, at its 499th plenary session of 4 and 5 June 2014 (meeting of 4 June 2014), by 128 votes to 1 with 4 abstentions, to issue an opinion endorsing the proposed text.

Brussels, 4 June 2014.

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

---

**Opinion of the European Economic and Social Committee on the ‘Proposal for a Regulation of the European Parliament and of the Council on fixing an adjustment rate for direct payments provided for in Council Regulation (EC) No 73/2009 in respect of calendar year 2014’**

COM(2014) 175 final — 2014/0097 COD

(2014/C 424/12)

On 2 April 2014, the European Parliament and on 22 April 2014 the Council respectively decided to consult the European Economic and Social Committee, under Article 43(2) of the TFEU, on the:

*Proposal for a Regulation of the European Parliament and of the Council on fixing an adjustment rate for direct payments provided for in Council Regulation (EC) No 73/2009 in respect of calendar year 2014*

COM(2014) 175 final — 2014/0097 COD.

Since the Committee has already set out its views on the content of the proposal in question in its opinion CES2942-2013\_00\_00\_TRA\_AC, adopted on 22 May 2013 <sup>(1)</sup>, it decided, at its 499th plenary session of 4 and 5 June 2014 (meeting of 4 June), by 132 votes to 2 with 6 abstentions, not to draw up a new opinion on the subject, but to refer to the position it had taken in the above-mentioned document.

Brussels, 4 June 2014.

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

---

<sup>(1)</sup> EESC opinion NAT/602 on the Proposal for a Regulation of the European Parliament and of the Council on fixing an adjustment rate to direct payments provided for in Regulation (EC) No 73/2009 in respect of calendar year 2013, 2013/C 271/27, page 143 of 19 September 2013.









ISSN 1977-091X (electronic edition)  
ISSN 1725-2423 (paper edition)



**Publications Office of the European Union**  
2985 Luxembourg  
LUXEMBOURG

**EN**