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# The Political Guidelines 2024-2029 of the European Commission "von der Leyen II"

# **Recommendations for Concrete EU Measures to Implement Them**

Andrea De Petris, Philipp Eckhardt, Anja Hoffmann, Anselm Küsters, Matthias Kullas, Götz Reichert and André Wolf



The re-elected President of the European Commission Ursula von der Leyen has presented political guidelines for her term of office from 2024-2029. She has set ambitious objectives to strengthen Europe's competitiveness and promote sustainable innovation. To achieve these objectives, action is needed. The cep recommends specific EU measures for key policy areas in order to implement the objectives of the political guidelines effectively and efficiently. Through smart prioritisation and smart regulation, the "von der Leyen II" Commission can put Europe on a sustainable path to success.

- ► The cep recommends prioritising the objectives set out in the guidelines in such a way as to create a dynamic economic climate that enables Europe to respond more flexibly to global challenges.
- Key elements of the measures recommended by the cep are greater legal certainty and the reduction of bureaucratic hurdles for companies.
- The cep recommends further developing the digital single market in order to strengthen Europe's innovative power. The EU should also promote green technologies, significantly reduce energy prices, secure the supply of energy, water and critical raw materials, expand strategic partnerships and prepare Europe for climate change.

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# 1 Introduction

On 18 July 2024, Ursula von der Leyen was re-elected Commission President by the European Parliament. On the same day, she published her political guidelines for the next European Commission 2024-2029 ("von der Leyen II").<sup>1</sup> In it, she describes the political priorities for her second term of office. The guidelines are based on consultations, discussions with the "democratic forces in the European Parliament"<sup>2</sup> and the European Council's strategic agenda for 2024-2029<sup>3</sup>. The priorities are "a compass" that will be translated into a concrete work programme in the coming months.

This input contains proposals for concrete measures that can be used to implement the priorities of the Commission President that are set out in the political guidelines. It deliberately refrains from evaluating the objectives set out in the political guidelines and aims to support the achievement of the objectives in a forward-looking manner through the proposed detailed action steps. There is no lack of objectives in politics. Inefficient instruments and poor regulation in particular cause high implementation costs and a high level of bureaucracy. The conceptual design and institutional implementation of measures therefore deserve a great deal of attention.

# 2 Selected objectives of the Commission President and concrete proposals of the cep

## 2.1 A new plan for sustainable prosperity and competitiveness

### 2.1.1 Objective: Coherent EU legislation

The Commission President wants "to stress-test the entire EU acquis" and, based on this, "make proposals to simplify, consolidate and codify legislation to eliminate any overlaps and contradictions while maintaining high standards."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 7.

#### Proposed measures to achieve this objective

The Commission should set up a "legal consolidation programme" to turn the complex, non-transparent and partially overlapping regulatory environment into a simple, understandable, predictable and coherent legal framework. In particular, it should review the EU digital laws adopted in recent years, as some of these overlap in an often non-transparent manner, contain duplications or very similar obligations, and all this in an area where legal certainty, transparency and comprehensibility are important. This makes both their application by companies and the delimitation of official responsibilities more difficult. Where necessary or useful, the Commission should consolidate, simplify and better align the laws. It should identify similarities and unavoidable overlaps between the different legal acts and provide companies and authorities with guidance on how synergies can be used to fulfil similar or overlapping obligations, such as

<sup>&</sup>lt;sup>1</sup> Cf. von der Leyen, U. (2024): Europe has the choice, p. 5f., available at: <u>https://commission.europa.eu/docu-ment/e6cd4328-673c-4e7a-8683-f63ffb2cf648 en</u>.

<sup>&</sup>lt;sup>2</sup> See von der Leyen, U. (2024): Europe has a choice, available at: <u>https://commission.europa.eu/document/e6cd4328-673c-4e7a-8683-f63ffb2cf648\_en</u>.

<sup>&</sup>lt;sup>3</sup> European Council (2024): Strategic Agenda 2024-2029, available at: <u>https://www.consilium.europa.eu/de/european-council/strategic-agenda-2024-2029/</u>.

- risk management under the General Data Protection Regulation (GDPR)<sup>4</sup>, the NIS 2 Directive<sup>5</sup> and the Artificial Intelligence Act (AI Act)<sup>6</sup>,
- the information obligations under the GDPR and the AI Act,
- the incident reporting obligations under the GDPR, the NIS 2 Directive and the Cyber Resilience Act<sup>7</sup>, and
- the portability obligations in the GDPR and the Data Act<sup>8</sup>.

The Commission should better align the EU digital legal acts – In particular the Data Act and the AI Act – with the GDPR. As stated in its second report on the application of the GDPR<sup>9</sup>, it should urgently create consistency between the GDPR and all regulations relating to the processing of personal data. It should also take measures to further support companies in complying with the GDPR. Finally, following on from its second report on the application of the GDPR, the Commission should propose specific improvements of the GDPR and implement measures to facilitate innovation and better exploit the potential of digitalisation.<sup>10</sup>

The Commission should also – beyond the call<sup>11</sup> made in its second report on the application of the GDPR – call on the European Data Protection Board (EDPB) even more strongly to provide better and more EU-wide guidelines and interpretative guidance on specific data protection issues more quickly. It is important that such guidelines not only identify legal conflicts, but also propose approaches to resolving them.

Furthermore, the Commission should make concrete proposals to eliminate (continuing) legal ambiguities in EU digital laws to ensure that they can be applied simply, correctly and uniformly by

<sup>&</sup>lt;sup>4</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, <u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32016R0679</u>.

 <sup>&</sup>lt;sup>5</sup> Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 concerning measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972 and repealing Directive (EU) 2016/1148, <u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2555</u>.

<sup>&</sup>lt;sup>6</sup> Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828, <u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL 202401689</u>.

<sup>&</sup>lt;sup>7</sup> Following the political agreement on the dossier in January 2024, the European Parliament adopted a provisional version of the Cyber Resilience Act on 12 March 2024, which is available at: <u>https://www.europarl.europa.eu/doceo/document/TA-9-2024-0130 EN.pdf</u>. The act is expected to be finally adopted in autumn 2024 without a further vote.

<sup>&</sup>lt;sup>8</sup> Since the data access rights under the GDPR and the Data Act are not congruent - in particular, porting to third parties is always free of charge under Art. 20 GDPR, while the data controller can demand payment from the third party under the Data Act - additional problems arise that make it difficult to draw a clear legal distinction between the two regulations and to exercise the rights.

<sup>&</sup>lt;sup>9</sup> Communication from the Commission to the European Parliament and the Council of 25 July 2024, COM(2024) 357 final, Second report on the application of the General Data Protection Regulation (GDPR), p. 29, available at: <u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024DC0357&qid=1721996246697</u>.

<sup>&</sup>lt;sup>10</sup> See Kullas, M. et al. (2023), Regulatory and financial burdens of EU legislation in four Member States – a comparative study - Vol. 4: Burdens arising from Art. 30 and 33 of the General Data Protection Regulation, available at: <u>https://www.familienunternehmen.de/en/publications/burdens-arising-from-art-30-and-33-of-the-general-data-protection-regulation</u>.

<sup>&</sup>lt;sup>11</sup> Communication from the Commission to the European Parliament and the Council of 25 July 2024, COM(2024) 357 final, Second report on the application of the General Data Protection Regulation (GDPR), p. 6., available at: <u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024DC0357&qid=1721996246697</u>.

companies.<sup>12</sup> Concrete proposals are also needed to promptly eliminate or at least significantly reduce legal uncertainties in connection with the GDPR and artificial intelligence and thus counteract the threat of competitive disadvantages for European companies. The Commission should not only refer to guidelines from data protection authorities, but also explore and propose concrete measures itself, in particular to

- resolve the conflict between the data protection principle of data minimisation<sup>13</sup> and the practical requirement to use large data sets in a legally secure manner, as the latter is essential for a successful data economy and the adequate training of high-quality AI;
- clarify in a timely manner when data is considered anonymised and therefore not (or no longer) subject to the GDPR, for example by (supporting) the development and definition of uniform and practicable standards, compliance with which is presumed to provide a sufficient degree of anonymisation;
- actively support companies in using data protection-friendly technologies such as the use of synthetic data - for example for AI training - and clarify liability issues in the event of possible re-identification at a later date;
- develop and enable a legally secure and innovation-friendly approach on how to interpret and apply the GDPR and deal with artificial intelligence without disproportionately restricting individuals' fundamental rights such as the right to data protection. When balancing interests, the risks of digitalisation for the privacy of individuals also need to be weighed against possible negative economic consequences of the stricter level of data protection in the EU.

Legal uncertainty and a complex legal situation tie up resources in companies and lead to costly legal advice and possibly legal disputes, as well as a lack of innovation.<sup>14</sup> Many European companies feel heavily burdened by the GDPR and the related court rulings such as the Schrems judgements<sup>15</sup> and the associated restrictions on transatlantic data transfers.<sup>16</sup>

A general overhaul also appears to be urgently needed in connection with the entire sustainable finance legislation and in particular the regulation on sustainability-related disclosures in the financial sector (SFDR). In practice, numerous inadequacies, pitfalls, redundancies and inconsistencies have emerged, the elimination of which should be a top priority at EU level in the legislative period that is now beginning. The Commission should revise the various pieces of sustainable finance legislation – in particular the SFDR, the Green Taxonomy Regulation, the Markets in Financial Instruments Directive (MiFID), the Insurance Distribution Directive (IDD) and the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPR) – in order to achieve a coherent

<sup>&</sup>lt;sup>12</sup> See Kullas, M. et al. (2023), Conclusions from four comparative studies: Regulatory and financial burdens of EU legislation in four Member States, available at: <u>https://www.familienunternehmen.de/en/publications/burdens-arising-from-the-general-data-protection-regulation</u>.

<sup>&</sup>lt;sup>13</sup> Art. 5 para. 1 lit. c) GDPR.

<sup>&</sup>lt;sup>14</sup> See Kullas, M. et al. (2023), Conclusions from four comparative studies: Regulatory and financial burdens of EU legislation in four Member States, available at: <u>https://www.familienunternehmen.de/en/publications/burdens-arising-from-the-general-data-protection-regulation</u>.

<sup>&</sup>lt;sup>15</sup> CJEU, judgment of 16 July 2020, case C-311/18 (Data Protection Officer v Facebook Ireland Ltd and Maximilian Schrems), ECLI:EU:C:2020:559 ("Schrems II"); CJEU, judgment of 6 October 2015, case C-362/14 (Maximilian Schrems v Data Protection Commissioner), ECLI:EU:C:2015:650 ("Schrems I").

<sup>&</sup>lt;sup>16</sup> In a company survey conducted by cep and EY in spring 2024, more than 75% of the companies surveyed stated that they would develop or use more digital solutions if there was more legal certainty how this can be done in accordance with the GDPR, see Hoffmann, A. / Küsters, A., Erwartungen deutscher Unternehmen an die Europäische Digitalregulierung, cepStudy in cooperation with EY, June 2024, p. 13, available at: <u>https://www.cep.eu/de/eu-themen/details/erwartungen-deutscher-unternehmen-an-die-europaeische-digitalregulierung.html.</u>

and consistent legal framework for sustainable finance in the medium term that also fulfils its postulated objectives. A recently published <u>cepStudy</u> contains concrete proposals for a reform of the legal framework.

# 2.1.2 Objective: Reducing the burden on small and medium-sized enterprises (SMEs) and cut red tape

The Commission President wants all new Commissioners to focus "on reducing administrative burdens and simplifying implementation", namely on "less red tape and reporting, more trust, better enforcement, faster permitting."

The Commission President also wants to simplify future legislation and design it "with small businesses in mind and in a spirit of subsidiarity". "This will notably be done though a new SME and competitiveness check to help avoid unnecessary administrative burdens, maintaining high standards."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 7.

#### Proposed measures to achieve these objectives

The EU Commission should review the effectiveness of regulatory exemptions and other simplifications for small and medium-sized enterprises (SMEs) and adapt them if necessary.<sup>17</sup> This is because some EU legislation contains de jure simplifications for SMEs, but these hardly have any de facto effect. One example of this can be found in the GDPR. Companies with fewer than 250 employees are exempt from the obligation to keep a record of processing activities.<sup>18</sup> However, this exemption only applies under very specific conditions, namely only if the data processing carried out does not pose a risk to the rights and freedoms of the data subjects, the processing is only occasional and no special categories of data are processed in accordance with Art. 9 para. 1 GDPR. However, most companies with fewer than 250 employees do not fulfil these requirements, meaning that they must also create a record of processing activities.<sup>19</sup>

The Commission should also draw up new proposals to reduce reporting obligations for companies by 25 per cent compared to 2023. EU Commission President Ursula von der Leyen had already announced this objective in mid-March 2023. The Commission should review the documentation and reporting obligations, particularly in EU digital regulation, in their entirety and reduce them as much as possible. When weighing up the benefits of each individual obligation, it must also take greater account of the burdens they cause and their potential negative impact on competitiveness.

# 2.1.3 Objective: New momentum to complete the Single Market

The Commission President wants "new momentum to complete the Single Market in sectors like services, energy, defence, finance, electronic communications and digital."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 6.

<sup>&</sup>lt;sup>17</sup> For an overview of regulatory exemptions for SMEs, see Kullas, M. / Harta, L. (2024), Regulatorische Ausnahmen für kleine und mittlere Unternehmen, available at: <u>https://www.cep.eu/de/eu-themen/details/regulatorische-ausnahmen-fuerkleine-und-mittlere-unternehmen.html</u>.

<sup>&</sup>lt;sup>18</sup> Art. 30 (5) GDPR.

<sup>&</sup>lt;sup>19</sup> See Kullas, M. et al. (2023), Regulatory and financial burdens of EU legislation in four Member States – a comparative study - Vol. 4: Burdens arising from Art. 30 and 33 of the General Data Protection Regulation, available at: <u>https://www.familienunternehmen.de/en/publications/burdens-arising-from-art-30-and-33-of-the-general-data-protection-regulation</u>.

#### Proposed measures to achieve this objective

The Commission should extend the Single Market to regulatory areas that are not yet integrated, as the Single Market is currently incomplete in some economic sectors, particularly in the areas of financial services, energy and telecommunications. In addition, the Commission should support the Member States in abolishing existing protectionist rules and not adopting new ones. This is because an incomplete internal market reduces the competitiveness of European companies and the (geo)political power of the EU.<sup>20</sup>

#### 2.1.4 Objective: Implement and enforce digital laws

The Commission President wants to focus *"on the implementation and enforcement of the digital laws adopted during the last mandate."* She wants to *"ramp up and intensify"* the *"enforcement in the coming mandate."* 

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 10.

#### Proposed measures to achieve this objective

In order to improve the enforcement of digital laws and facilitate their implementation and application, the Commission should firstly provide companies and other users, but also the authorities, with a better overview of the new digital legislation. In particular, it should publish and publicise a "Digital Law Compendium" summarising and differentiating the main EU digital laws, in particular the AI Act, the Data Act, the planned data spaces<sup>21</sup> such as the proposed European Health Data Space<sup>22</sup>, the Data Governance Act<sup>23</sup>, the Digital Markets Act<sup>24</sup>, the Digital Services Act<sup>25</sup>, the Cybersecurity Act<sup>26</sup>, the NIS II Directive and the other EU cybersecurity laws, and explaining their purpose and content in more detail. It should also explain the interplay between the EU digital acts, such as the Data Act with the European Health Data Space and the GDPR (see also section 2.1.1).

Secondly, the Commission should do more to support the Member States and companies in the correct and uniform implementation, execution and enforcement of the new EU digital regulation. EU-wide

<sup>&</sup>lt;sup>20</sup> See Kullas, M. / Hoffmann A. (2024): The Next Step for the Single Market: A Geo-economic Shelter, available at: <u>https://www.cep.eu/eu-topics/details/the-next-step-for-the-single-market-a-geo-economic-shelter.html</u>.

<sup>&</sup>lt;sup>21</sup> The EU is currently planning twelve common European data spaces in strategic sectors and areas of public interest, namely industry (manufacturing), green deal, mobility, health, finance, energy, agriculture, public administration (legal tech/procurement/AI tech), skills, science (EOSC), media, cultural heritage. They are intended to enable more intensive sharing, utilisation and reuse of data.

<sup>&</sup>lt;sup>22</sup> Regulation of the European Parliament and of the Council on the European health data space. The provisional version based on Commission proposal COM/2022/197, adopted by the European Parliament on April 2024, is available at: <u>https://www.europarl.europa.eu/meetdocs/2014\_2019/plmrep/COMMITTEES/CJ43/AG/2024/04-09/1299790EN.pdf</u> The Regulation still needs to be formally adopted by the Council.

<sup>&</sup>lt;sup>23</sup> Regulation (EU) 2022/868 of the European Parliament and of the Council of 30 May 2022 on European data governance and amending Regulation (EU) 2018/1724 (data governance act), <u>https://eur-lex.europa.eu/eli/reg/2022/868/oj</u>.

<sup>&</sup>lt;sup>24</sup> Regulation (EU) 2022/1925 of the European Parliament and of the Council of 14 September 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828 (Digital Markets Act), <u>https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022R1925</u>.

<sup>&</sup>lt;sup>25</sup> Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a single market for digital services and amending Directive 2000/31/EC (Digital Services Act), <u>https://eur-lex.europa.eu/legal-con-tent/EN/TXT/?uri=celex%3A32022R2065</u>.

<sup>&</sup>lt;sup>26</sup> Regulation (EU) 2019/881 of the European Parliament and of the Council of 17 April 2019 on ENISA (the European Union Agency for Cybersecurity) and on Information and Communications Technology cybersecurity certification and repealing Regulation (EU) No 526/2013, <u>https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32019R0881</u>.

guidelines and interpretation aids are helpful and necessary, as well as information on how companies can use synergies to fulfil similar or overlapping obligations, e.g. in the AI Act and the GDPR (see also section 2.1.1).

Thirdly, the Commission should arrange training programmes for businesses and public authority staff to help them better understand the new EU digital laws and their interplay and to apply them more quickly and with greater accuracy and ensure their consistent enforcement. These training programmes should also educate businesses about the economic benefits and risks of sharing and using data sets and deploying AI applications.

# 2.1.5 Objective: Creating a European Data Union

The Commission President wants to "put forward a European Data Union Strategy. This will draw on existing data rules to ensure a simplified, clear and coherent legal framework for businesses and administrations to share data seamlessly and at scale, while respecting high privacy and security standards."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 10.

### Proposed measures to achieve this objective

The Commission should support companies in the transfer and use of data sets, for example by providing information on the benefits and by providing assistance on which legal basis(s) under data protection law – other than consent – the transfer and use of data can be based and how it can be organised securely.

The EU has already introduced numerous regulations to strengthen the exchange of data through sector-specific legislation, the Data Governance Act and the concept of European Data Spaces, and the Data Act already contains comprehensive cross-sectoral provisions to promote access to and use of data generated by networked products such as smart household appliances and industrial machines as well as connected services (apps). Nevertheless, the desired single data market is still hampered, inter alia, by a lack of interoperability and legal uncertainties regarding data protection. Data protection concerns are among the most frequently cited obstacles to the exchange of data between business partners.<sup>27</sup> It is therefore of utmost importance, also with a view to strengthening data exchange and the development of data-based business models and AI within the EU, that the Commission takes measures to promptly eliminate the legal uncertainties in connection with the GDPR already mentioned in subchapter 2.1.1. In particular, the conflict between the principle of data minimisation and "big data" must be resolved with legal certainty, the point at which data is considered anonymised must be determined, and liability issues in the event of possible subsequent re-identification must be clarified.

As data is mostly stored in clouds, cloud and edge services are also becoming increasingly important. In order to counteract the current market power of the large US cloud providers and to avoid the legal (data protection) uncertainties associated with the use of US-based clouds<sup>28</sup>, the Commission should

<sup>&</sup>lt;sup>27</sup> Cf. Hoffmann, A. / Küsters, A., Erwartungen deutscher Unternehmen an die europäische Digitalregulierung, cepStudy in cooperation with EY, June 2024, p. 10, available at: <u>https://www.cep.eu/de/eu-themen/details/erwartungen-deutscherunternehmen-an-die-europaeische-digitalregulierung.html</u>.

<sup>&</sup>lt;sup>28</sup> For more details, see Hoffmann, A. / Küsters, A., Erwartungen deutscher Unternehmen an die europäische Digitalregulierung, cepStudy in cooperation with EY, June 2024, p. 6ff., available at: <u>https://www.cep.eu/de/eu-themen/details/erwartungen-deutscher-unternehmen-an-die-europaeische-digitalregulierung.html.</u>

continue to promote European cloud providers and provide much stronger support for the creation of "European" clouds – also based on open source software – within the EU. In order to ensure genuine competition, it should also further facilitate switching between data processing services, including through consistent implementation of the provisions in the Data Act on cloud switching.<sup>29</sup> In particular, the Commission should swiftly publish market-relevant and practicable standard contractual clauses for cloud computing contracts under the Data Act which are market-relevant and suitable for as many sectors as possible. Other than provided for in the Data Act, the Commission should publish the clauses already well before the latter comes into force on 12 September 2025. This would enable companies to adequately prepare and, if necessary, adapt the clauses for their purposes in good time in order to benefit from its provisions as early as possible.

Finally, the Commission should work towards the swift adoption of the European Cybersecurity Certification Scheme for Cloud Services (EUCS), a draft of which was developed by ENISA at the end of 2020 and has since been discussed by the Member States. As chair of the Committee under the examination procedure, the Commission should push for a timely agreement on an EUCS so that it can be adopted as soon as possible by means of an implementing act. This would result in greater legal clarity. Cloud services are becoming increasingly important for companies and citizens, not least when it comes to the development and use of artificial intelligence. Their security is therefore essential for the functioning of the digital single market as well as for the free flow of data and the competitiveness of the EU.

#### 2.1.6 Objective: Development of lead markets for green technologies

The Commission President wants to "put forward an Industrial Decarbonisation Accelerator Act to support industries and companies through the transition [...] It will support European lead markets for the development, production and diffusion in industry of clean tech."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 8.

#### Proposed measures to achieve these objectives

The Commission should be much more determined in promoting European production capacities for key climate-neutral technologies such as batteries and solar modules. The support, which has so far focused on reducing administrative barriers, must exert a real economic incentive effect. Measures to establish lead markets are an effective means of reducing sales risks for domestic green technologies and accelerating the scaling of production ("demand pull"). This results in cost reductions that give European products the chance to become competitive on global markets in the long term. In contrast to classic supply-side capital cost subsidies, there is no danger that the subsidisation will fail to meet market needs. Against the background of the high direct and indirect (local-content requirements) subsidies that producers in third countries such as China receive, such support can also be justified in terms of trade policy, as it reduces subsidy-related distortions in the international division of labour.

Implementation should rest on two pillars. The first pillar is public procurement. Through specifications in the form of additional origin-related award criteria (in addition to the tender price), public demand can incentivise the increased use of climate-neutral technologies from domestic production. The

<sup>&</sup>lt;sup>29</sup> Hoffmann, A. / Küsters, A., Erwartungen deutscher Unternehmen an die europäische Digitalregulierung, cepStudy in cooperation with EY, June 2024, p. 4ff, 15, available at: <u>https://www.cep.eu/de/eu-themen/details/erwartungen-deut-scher-unternehmen-an-die-europaeische-digitalregulierung.html</u>.

revision of the public procurement directive proposed by Ursula von der Leyen (p. 14), which would allow European products to be favoured in certain strategic sectors, must be designed to be WTO-compliant.

The second pillar consists of existing subsidy tenders for renewable energies. The introduction of prequalification or award criteria for the purchase of components from resilient sources can also strengthen private demand for domestic inputs. Not least with regard to global trade law, it is crucial for the design of the requirements that they have as little discriminatory effect as possible in terms of technology and geography. In principle, all technologies covered by the Net-Zero Industry Act should be recognised. With regard to the origin of the products, imports from third countries should not be discriminated against per se, but the import concentration on individual trading partners should be used as a criterion. There is also a need for exemption rules for products from third countries with which the EU cooperates in strategic partnerships (see below). The general assessment criteria provided for in the Net-Zero Industry Act must be concretised as quickly as possible and their uniform application throughout the EU must be ensured.

As a further market-strengthening measure, the Commission should promote and centrally coordinate the development of local production clusters (Net-Zero Industry Valleys). The high knowledge intensity of these industries and their need for specialised inputs and skills promise considerable industry-wide agglomeration advantages. In order to capitalise on this, EU cohesion funds should be bundled specifically to strengthen infrastructure in regions with good starting conditions. Regions should also be supported with EU funds in the digitalisation of administrative processes and the establishment of one-stop shops for companies in order to be able to implement the shortening of approval procedures for strategic projects provided for in the Net-Zero Industry Act.

# 2.1.7 Objective: Reduction in energy prices

The Commission President wants to "continue to bring down energy prices by moving further away from fossil fuels, reinforcing joint procurement for fuels, and developing the governance needed for a true Energy Union."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 8.

### Proposed measures to achieve these objectives

The Commission should significantly increase the incentives for the expansion of renewable energies. An accelerated and at the same time market-driven expansion of green electricity production capacities - in conjunction with investments in storage and grid infrastructure (see below) - is the decisive prerequisite for forcing increasingly expensive fossil energy out of the market. To this end, a reliable investment environment must be created. The Commission should urge the Member States to keep the location requirements and criteria for awarding subsidies to renewable energy providers. It should also ensure consistent implementation of the already agreed shortening of authorisation procedures by the Member States.

In addition to measures to accelerate the expansion of renewable energies, a sustainable reduction in electricity prices also requires increased incentives to supply electricity in line with market needs. To this end, care must be taken to ensure that the Contracts-for-Difference (CfDs) prescribed as support instruments in the reformed electricity market regulation are designed in line with the market. In

particular, their compatibility with the marketing of electricity via long-term supply contracts (Power Purchase Agreements (PPAs)) should be ensured. PPAs with fixed electricity purchase volumes are an important instrument for improving the market integration of wind and solar power in the medium term. The Commission should also call on the Member States to make use of forms of supplementary state support for PPA markets, such as state guarantees and premiums for the pooling of suppliers.

Improved control also requires incentives for market-compliant behaviour on the demand side. To this end, the technical prerequisites for highly differentiated and transparent end consumer prices must be created, e.g. through the increased rollout of smart metering. In the long term, the Commission should also examine the possibility of transitioning to an alternative model of utilisation-dependent pricing at individual grid nodes (nodal pricing), to reduce total systemic costs of electricity supply.

#### 2.1.8 Objective: Investment in energy infrastructure

The Commission President wants to "scale-up and prioritise investment in clean energy infrastructure and technologies. This will include renewables and low-carbon technologies, grid infrastructure, storage capacity and transport infrastructure for captured CO<sub>2</sub>."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 8.

#### Proposed measures to achieve these objectives

In its funding policy, the Commission should pursue the model of a Europe-wide integrated grid infrastructure orientated towards the future spatial distribution of energy supply and demand. To this end, the expansion of cross-border interconnectors in the electricity grid should receive greater financial support. Moreover, agreements between the Member States on the future spatial structure of the bidding zones should be urged. When developing a hydrogen transport infrastructure in Europe, the Commission should ensure that the requirements set out in the internal gas market reform regarding the quality and permissible proportion of transported hydrogen are implemented in a homogeneous manner. Further support is also needed for the development of a port infrastructure (e.g. ammonia crackers) for hydrogen imported by ship to be able to participate in the intercontinental hydrogen markets that will emerge in the medium term. In view of the future increase in electricity demand for electrolysis, the Commission should also closely examine whether the national grid development plans provide for sufficient coordination of electricity and hydrogen grid planning.

The infrastructure to be created in future for the transport and geological storage of CO<sub>2</sub> should also be element of the network development plans. As with hydrogen, options for the further utilisation of the existing gas pipeline infrastructure should be investigated.

#### 2.1.9 Objective: Strategic partnerships to strengthen security of supply

The Commission President wants to "work on new Clean Trade and Investment Partnerships to help secure supply of raw materials, clean energy and clean tech from across the world."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 8.

#### Proposed measures to achieve these objectives

In order to reduce supply risks for raw materials, the Commission should support the economy in implementing diversification strategies. This applies in particular to mineral raw materials that are indispensable for the use of climate-friendly technologies in the medium term, such as lithium and rare earth metals. The strategy should consist of a three-pillar model of raw material supply that relies equally on domestic raw material extraction, stable import channels from reliable third countries and (in the long term) secondary raw materials from recycling channels. To this end, the incentive instruments provided for in the Critical Raw Materials Act must be significantly expanded and should also include partial state compensation for the high geological and economic risks of exploration and extraction projects in third countries.

In order to build long-term stable resource partnerships with developing and emerging countries, the EU should give them sufficient room to upgrade their position as a production location within joint supply chains in the long term. They need a clear perspective for the transition from pure raw material suppliers for future technologies to hosting more value-added and knowledge-intensive process steps at the downstream level. Gradual, conditional trade integration and intensive cooperation in the (further) development of technical standards are promising means of achieving this.

# 2.1.10 Objective: Joint procurement of hydrogen and mineral raw materials

The Commission President wants to propose "to activate and extend our aggregate demand mechanism to go beyond gas and include hydrogen and critical raw materials."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 8.

#### Proposed measures to achieve these objectives

The Commission should press ahead with the planning of joint procurement programmes. They not only offer the opportunity to secure lower prices on import markets thanks to the volume advantage. They also offer attractive sales prospects for future strategic partner countries of the EU and thus contribute to the development and consolidation of resource partnerships.

Participation in these mechanisms should remain voluntary in any case, as the Member States differ significantly in their national requirements and production potentials, especially for hydrogen. To make an effective contribution to security of supply, procurement programmes should be combined with a joint stockpiling or storage strategy. This should include clear rules for the internal distribution of stocks within the EU in unexpected bottleneck situations.

### 2.1.11 Objective: Creation of markets for secondary raw materials

The Commission President wants to propose a new legal act on the circular economy "helping to create market demand for secondary materials and a single market for waste, notably in relation to critical raw materials."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 9.

#### Proposed measures to achieve these objectives

To accelerate market development, the Commission should introduce a premium system that compensates recycling companies for the initially high fixed unit costs of the largely new recycling technologies during a transition phase. Following the role model of the European Hydrogen Bank, the system should be designed in the form of competitive tenders in order to limit costs and promote the selection of sustainable recycling projects. A distinction should be made between mechanical product recycling processes and the recovery of elementary raw materials by means of chemical recycling.

In principle, the portfolio concept should always take centre stage when promoting recycling technologies. The solutions currently being researched and further developed reveal clear trade-offs between cost efficiency, flexibility and local and global environmental impacts. This becomes most obvious when comparing direct and elementary recycling processes. It is therefore highly unlikely that a single ideal solution will emerge in the technology race. Technological openness in the design of support systems will therefore also become a central requirement for raw material recycling.

#### 2.1.12 Objective: Build AI factories

The Commission President wants to "ensure access to new, tailored supercomputing capacity for AI start-ups and industry through an AI Factories initiative."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 10.

#### Proposed measures to achieve this objective

The Commission should build on existing European initiatives such as the "European High Performance Computing Joint Undertaking" (EuroHPC), which has been developing an ecosystem for high-performance computing (HPC) since 2018, to rapidly establish AI factories. This public-private partnership currently comprises eight supercomputers, six of which are in principle also designed for AI applications.<sup>30</sup> The exascale computer "JUPITER" at Forschungszentrum Jülich, which will be operational at the end of 2024, and other HPC resources such as the LUMI computer in Finland, which is being used to develop open-source large language models, are key components of this infrastructure.

For the successful implementation of the "AI factories", access to these existing high-performance computers should be widened for private initiatives, in particular for start-ups. This is legally possible, as on 25 July 2024, the EuroHPC Board decided to amend the work programme to include a new pillar for AI factories.<sup>31</sup> Starting in September 2024, EuroHPC will launch a call for expressions of interest to select so-called hosting entities for these supercomputers and to establish the associated AI factories. The selection process will include two tracks: one for new or upgraded AI-optimised supercomputers and one for existing HPC centres. The total budget for the acquisition of new or upgraded AI EuroHPC supercomputers is estimated at EUR 400 million in 2024, with a maximum EU contribution of EUR 200 million per supercomputer. For the establishment and operation of AI factories and the development and deployment of AI-optimised supercomputing platforms, the total financial support from the Union is expected to amount to a maximum of EUR 180 million. In addition to the already established supercomputers in Germany, Finland, Italy and Spain, the selection of host institutions should place particular emphasis on the creation of new data centres dedicated exclusively to AI applications. These specialised centres would accelerate the development and training of AI models for SMEs by prioritising and equipping them with A100 GPUs and similar AI-capable GPUs to a greater extent than before,

<sup>&</sup>lt;sup>30</sup> Löser, A. / Tresp, V. et al. (2023), <u>Developing and applying large language models</u>. <u>Approaches for a confident approach.</u> (<u>plattform-lernende-systeme.de</u>), p. 19.

<sup>&</sup>lt;sup>31</sup> EuroHPC (2024), Press Release, <u>The EuroHPC Joint Undertaking amends Work Programme to incorporate the new AI Fac-</u> tory pillar - EuroHPC JU (europa.eu).

without having to provide competing computing time to other use cases (such as projects from other scientific disciplines). Such a centre could, for example, operate at a lower precision of 16 bits compared to conventional HPC centres in the EU, which would significantly reduce costs and energy consumption.<sup>32</sup>

In addition, the integration of these high-performance computers into the Gaia-X ecosystem, which already provides infrastructure services for sophisticated AI applications, could further facilitate the accessibility and use of these resources.<sup>33</sup> Gaia-X enables transparent and demand-driven use of HPC resources and can therefore make investments in the expansion of this infrastructure more attractive and profitable. By combining HPC and quantum computing as a service within Gaia-X, an even wider range of users and applications could be served, which would not only benefit the various European start-ups and SMEs, but also ultimately strengthen Europe's digital sovereignty.

# 2.1.13 Objective: Develop an AI application strategy

The Commission President wants to "develop with Member States, industry and civil society an Apply AI Strategy to boost new industrial uses of AI and to improve the delivery of a variety of public services, such as healthcare."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 10.

#### Proposed measures to achieve this objective

In developing the "Apply AI" strategy, the Commission should draw on the guidelines for the use of generative AI in SMEs developed by the Centre for European Policy.<sup>34</sup> A thorough needs assessment at European level is required to identify the specific business models and processes that can be improved by generative AI, with a focus on reducing strategic dependencies on external suppliers. In the medium term, European companies will be faced with the decision of either using non-European AI applications and thereby exposing valuable data, or not using state-of-the-art AI models and not reaping the full benefits of generative AI.<sup>35</sup> In this context, the Commission, in cooperation with the new European AI Research Council (see below), should explain how SMEs in particular can use generative AI, for example by adapting pre-trained open-source models via.<sup>36</sup>

In addition, companies need more in-house expertise in natural language processing (NLP) and prompt design to be able to apply AI effectively and on a large scale. The current situation shows a significant shortage of skilled labour: Only 55.6% of the EU population has basic digital skills and the number of ICT professionals is projected to be only 12 million by 2030, well below the target of 20 million.<sup>37</sup> This shortfall will be exacerbated by slow progress in 2023, as highlighted in the recent Digital Decade progress report. The next EU Commission must therefore take concrete measures to close this skills gap. This should include substantial public and private investment in research, innovation and the

<sup>&</sup>lt;sup>32</sup> KI-Bundesverband (2022), <u>LEAM-Konzeptpapier-V1.2-1.pdf (ki-verband.de)</u>, p. 11f.

<sup>&</sup>lt;sup>33</sup> Niebel, C. / Smoleń, A. (2023), <u>GX-WP-KI.pdf (gaia-x-hub.de)</u>, White Paper 3/2023, p. 18f.

 <sup>&</sup>lt;sup>34</sup> Küsters, A. (2024), <u>Language technology as a competitive advantage for the EU | cep - Centre for European Policy</u>, cepInput 7/2024.

<sup>&</sup>lt;sup>35</sup> KI-Bundesverband (2022), <u>LEAM-Konzeptpapier-V1.2-1.pdf (ki-verband.de)</u>, p. 2.

<sup>&</sup>lt;sup>36</sup> Küsters, A. (2024), <u>Language technology as a competitive advantage for the EU | cep - Centre for European Policy</u>, cepInput 7/2024.

<sup>&</sup>lt;sup>37</sup> Commission (2024), State of the Digital Decade 2024, <u>EUR-Lex - 52024DC0260 - EN - EUR-Lex (europa.eu)</u>.

development of digital infrastructure. Overall, there is a need for a more coherent and strategic framework for the effective development of skills and talent for the digital age, including the rapid adaptation of education and training systems in the EU to the changing needs of the digital economy.

Finally, when developing the "Apply AI" strategy, the Commission should use guidelines, other "soft law" documents and standards to clarify quickly and bindingly how to ensure compliance with the GDPR when processing personal data using AI systems, without bureaucratic effort. It is crucial that companies have access to clear guidelines and recommendations on specific state-of-the-art anony-misation techniques to minimise the risk of re-identification.<sup>38</sup> This also applies to the growing potential use of so-called synthetic data. This includes, for example, that the Commission should increasingly promote cooperation between companies, research institutions and public bodies in order to develop practical AI and metaverse applications in the healthcare sector to improve patient care, as these would particularly benefit from anonymised and synthetic data.<sup>39</sup> In the long term, this will also require a more active role for the EU in global standardisation.<sup>40</sup> Training programmes for workers and transparent communication with the public about the benefits and risks of AI and virtual worlds are also necessary to create acceptance and more trust to experiment with these technologies in a meaningful way.

#### 2.1.14 Objective: Establish a European AI Research Council

The Commission President wants to "set up a European AI Research Council where we can pool all of our resources, similar to the approach taken with CERN."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 10.

#### Proposed measures to achieve this objective

The Commission should base its proposal for a pan-European AI flagship project on the extensive scientific literature of recent years, which has already developed several proposals for a CERN-style organisation.<sup>41</sup> Particularly noteworthy is the Confederation of Laboratories for Artificial Intelligence Research in Europe (CLAIRE), which has been campaigning for such an initiative for years. CLAIRE proposes a central organisation and a network of centres of excellence across the EU, with an estimated investment requirement of €100 billion between 2024 and 2029.<sup>42</sup> The CLAIRE centre would maintain a large data and computing centre, state-of-the-art robotics labs, test facilities for applications such as autonomous transport, advanced agriculture and automated scientific experiments, and an archive of datasets open to researchers across Europe. This centre will not house permanent research staff, but rather host researchers and visitors for limited periods of time to exchange ideas, work on projects

<sup>&</sup>lt;sup>38</sup> Hoffmann, A. / Küsters, A., Erwartungen deutscher Unternehmen an die europäische Digitalregulierung, cepStudy in cooperation with EY, June 2024, available at: <u>https://www.cep.eu/de/eu-themen/details/erwartungen-deutscher-unter-nehmen-an-die-europaeische-digitalregulierung.html.</u>

<sup>&</sup>lt;sup>39</sup> Küsters, A. / Stockebrandt, P. (2023), <u>The right recipe for the metaverse</u>, cepInput 8/2023.

<sup>&</sup>lt;sup>40</sup> See also: Küsters, A. (2024), <u>A Tale of Two Metaverses</u>: Assessing the EU's Influence on Standard-Setting in Virtual Worlds, in: Proceedings of the International Congress Towards a Responsible Development of the Metaverse, Alicante.

<sup>&</sup>lt;sup>41</sup> For an overview, see: Renda, A. (2024), <u>Towards a European large-scale initiative on Artificial Intelligence</u>, CEPS In-Depth Analysis, p. 8.

<sup>&</sup>lt;sup>42</sup> CLAIRE (2023), Moonshot proposal 07.11.23 (for release) (claire-ai.org).

and use the infrastructure only available there.<sup>43</sup> The core idea is therefore to attract talented people from across Europe, provide massive computing and data infrastructures and develop trustworthy AI systems.

The European Commission's Group of Chief Scientific Advisors, a key part of the Scientific Advice Mechanism (SAM), has also proposed the creation of a European structure to support AI research, albeit with some differences.<sup>44</sup> SAM outlines a European Decentralised Institute for AI in Science (EDIRAS) that would provide researchers from publicly funded universities and non-profit research organisations with access to the infrastructure and resources needed to conduct cutting-edge research with AI across all scientific disciplines. Specifically, EDIRAS would: (i) provide massive high-performance computing power; (ii) provide sustainable cloud infrastructure; (iii) provide a repository of high-quality, clean, responsibly collected and curated datasets; (iv) provide access to interdisciplinary talent; and (v) have an AI scientific advisory and qualification unit dedicated to developing best-practice research standards for AI and developing and delivering appropriate training and qualification programmes.<sup>45</sup> In contrast to the CLAIRE proposal, this document therefore focuses much more on the adoption of AI in science.

The various proposals can be summarised as follows in terms of concrete implementation and timing.<sup>46</sup> First, the European AI Research Council should be established with a comprehensive but flexible governance structure involving all relevant stakeholders, in particular from the scientific community and non-governmental organisations. On the one hand, integration is desirable in order to be able to respond with one voice to companies and regulators in the sense of an efficient "one-stop-shop" principle; on the other hand, the decentralised nature of AI research and development, especially in Europe, must also be taken into account. This could be achieved by creating an institution such as a Joint Undertaking, which would play a central role while coordinating a network of centres of excellence across the EU. The estimated cost of €100-120 billion over seven years could be financed by EU funds, contributions from Member States and private foundations.<sup>47</sup> Such an approach could also be well combined with the "regulatory sandboxes" envisaged in the AI Act to promote innovation in a decentralised way and monitor it centrally.

<sup>&</sup>lt;sup>43</sup> CLAIRE (2019), <u>CLAIRE-vision.pdf (claire-ai.org)</u>, p. 5.

<sup>&</sup>lt;sup>44</sup> European Commission, Directorate-General for Research and Innovation, Successful and timely uptake of artificial intelligence in science in the EU, Publications Office of the European Union, 2024, <u>https://data.europa.eu/doi/10.2777/46863</u>. For an abridged version see: SAM (2023), <u>Scoping\_paper\_AI.pdf (europa.eu)</u>.

<sup>&</sup>lt;sup>45</sup> European Commission, Directorate-General for Research and Innovation, Successful and timely uptake of artificial intelligence in science in the EU, Publications Office of the European Union, 2024, p. 34.

<sup>&</sup>lt;sup>46</sup> See the proposals of: Renda, A. (2024), <u>Towards a European large-scale initiative on Artificial Intelligence</u>, CEPS In-Depth Analysis, pp. 14-16.

<sup>&</sup>lt;sup>47</sup> See the proposals of: Renda, A. (2024), <u>Towards a European large-scale initiative on Artificial Intelligence</u>, CEPS In-Depth Analysis, pp. 14-16.

#### 2.1.15 Objective: Define a new approach to competition policy

The Commission President wants to introduce "a new approach to competition policy, better geared to our common goals and more supportive of companies scaling up in global markets." The aim is also to ensure that "competition policy keeps pace with evolving global markets and prevents market concentration from raising prices or lowering the quality of goods or services for consumers."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 7.

#### Proposed measures to achieve this objective

The Commission should modernise its competition policy by adopting a more flexible and comprehensive approach that takes greater account of the interdependence of the economic, legal and political orders. A number of measures are conceivable, in particular in the form of guidelines and other "soft law" documents that the Directorate-General for Competition can issue in order to influence the expectations of market participants and prioritise the selection of cases.<sup>48</sup> Innovation in the form of dynamic competition and resilience could be taken more into account when assessing mergers to ensure that EU competition policy keeps pace with changing global markets and geopolitical risks.<sup>49</sup>

In addition, the Commission can draw on recent suggestions in competition law literature that Art. 102 TFEU, which sanctions dominant companies for abusing their market power, can also be used to protect broader interests such as fairness, environmental protection and social rights.<sup>50</sup> As the EU Treaties require the pursuit of various objectives such as sustainable development and social progress, these proposals for a "multi-purpose approach" would make it legally possible to use Art. 102 more flexibly to address the negative effects of companies with market power in these areas. This approach would have the advantage of not requiring the creation of new instruments, but would have to be limited in order to avoid excessive discretion in the treatment of cases.

Finally, a holistic approach to competition policy that goes beyond the current silo thinking within the Commission would improve cooperation between different Directorates-General and the European Data Protection Authority to more effectively tackle the increasing market concentration in Europe over the last decades.<sup>51</sup> Other measures could include promoting a diversified and distributed economy, for example through strategic innovation in data-carrying deep-sea cables<sup>52</sup> or decentralising technologies such as 3D printing.<sup>53</sup>

<sup>&</sup>lt;sup>48</sup> On priority setting, see: Brook and Cseres (2021), Policy Report: Priority Setting in EU and National Competition Law Enforcement (September 28, 2021). Available at SSRN: <u>http://dx.doi.org/10.2139/ssrn.3930189</u>.

<sup>&</sup>lt;sup>49</sup> OMI (2024), <u>Rebalancing Europe</u>, p. 11f.

<sup>&</sup>lt;sup>50</sup> See the summary and criticism in: Maggiolino, M. (2024), <u>"The Multi-Purpose Approach and Article 102 TFEU" - Network</u> Law Review.

<sup>&</sup>lt;sup>51</sup> OMI (2024), <u>Rebalancing Europe</u>, p. 11f.

<sup>&</sup>lt;sup>52</sup> Küsters, A. / Wolf, A. / Poli, E. (2024), <u>Challenges to Transatlantic Digital Infrastructure: An EU Perspective | cep - Centre for European Policy</u>.

<sup>&</sup>lt;sup>53</sup> Foroohar, R. (2023), Homecoming: The Path to Prosperity in a Post-Global World, Penguin Random House.

# 2.1.16 Objective: Creation of a European Savings and Investment Union

The Commission President wants to propose a "European Savings and Investment Union" based on Enrico Letta's report. The "enormous wealth of private savings in Europe" should be better leveraged for investments in "innovation and the clean and digital transitions."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 11.

#### Proposed measures to achieve this objective

As highlighted in Enrico Letta's report<sup>54</sup>, the Commission should focus on greater mobilisation of private capital and greater capital market participation by small investors. The savings rate of Europeans is one of the highest in the world. However, savings behaviour is characterised by risk aversion and caution. Households in the 27 EU member states held only 17% of their financial assets in securities in 2021, compared to around 43% for US households. To counteract this, three steps should be prioritised. Firstly, as part of the ongoing negotiations on the EU retail investor strategy, barriers to retail investment should be removed rather than increased. Furthermore, competition-distorting commission bans should be avoided (see also cepStudy). On the contrary, the negotiations on the retail investor strategy should be used to significantly streamline the advisory process, particularly for sustainable investment products, and make it less complex. Secondly, the EU should examine the use of a 28th regime to realise a single market for capital. These have the potential to facilitate the free movement of EU citizens and promote cross-border competition. A first possible starting point for the implementation of a 28th regime would be the idea of establishing a "legal framework for harmonised marketbased savings products."55 Thirdly, more intensive efforts are needed to improve the financial knowledge of European citizens and get them interested in the financial markets. To this end, a regular review of the level of financial education and an analysis of progress in all EU countries should be carried out, an EU strategy for financial education based on best practice in the Member States should be developed and an EU online portal for promoting and testing financial education should be created.

# 2.1.17 Objective: Turbo charging investment

With the support of the European Investment Bank (EIB), the Commission President wants to "maximise public investment and leverage and de-risk private capital." The aim is to "unlock the financing needed for the green, digital and social transition." To this end, it wants to present "risk-absorbing measures" so that commercial banks, investors and venture capitalists can finance fast-growing companies more easily.

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 11.

#### Proposed measures to achieve this objective

To mobilise the financial resources required for the green, digital and social transition, the Commission should focus on establishing a stable and predictable regulatory framework and at the same time remove barriers to investment. After all, if investors have to fear regulatory changes and thus the

<sup>&</sup>lt;sup>54</sup> Letta, E. (2024). Much More Than a Market-Speed, Security, Solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens.

<sup>&</sup>lt;sup>55</sup> Belgian Presidency of the Council of the European Union (2024), Issues note of the informal Ecofin on EU competitiveness, Meeting of EU Finance Ministers and Central Bank Governors, 23rd and 24th February 2024, KAA Gent Arena.

devaluation of investments, they will not invest. This will also prevent the misallocation of existing financial resources and avoidable risks for European taxpayers, which entail public support and guarantees.

## 2.2 A new era for European defence and security

#### 2.2.1 Objective: Building a genuine European Defence Union

The Commission President wants the EU to "focus on building a genuine European Defence Union over the next five years." In this context, the EU wants to "further expand cooperation with NATO in the future to cover all threats, including new threats in the areas of cyber security, hybrid attacks or space, and strengthen our transatlantic partnership."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 17-18.

#### Proposed measures to achieve this objective

In addition to a Commissioner for Defence, the Commission should create an internal EU decisionmaking body that is exclusively responsible for the common defence policy. One possibility would be a kind of "EU Defence Council" made up of the defence ministers and chiefs of staff of the 27 Member States, with decision-making powers for all areas in which the common defence policy is decided (strategies, investments, planning, etc.). This body should be chaired according to the same system as the European Council: The chair should be elected by the EU Defence Council itself by qualified majority, with a term of office of two and a half years, renewable once. This would ensure an autonomous decision-making chain within European defence on a permanent basis, capable of acting both in concert with NATO whenever possible and independently when necessary.

#### 2.2.2 Objective: Ensure fair migration to Europe

The Commission President wants to "protect people, secure our borders, ensure fair and efficient procedures and be able to manage migration in an orderly manner on the basis of solidarity." To this end, the EU wants to "further develop strategic relations in the area of migration and security with third countries, especially countries of origin and transit."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 21-22.

#### Proposed measures to achieve this objective

In order to fulfil its identity as a community of liberal and democratic principles and values, the EU should pursue a migration policy that ensures full respect for human rights. In addition, regulatory measures should take due account of the relevant legal constraints of the EU and its Member States. Otherwise, there is a risk that these measures will ultimately be unenforceable if they are challenged before national or European courts, which will have to review the compatibility of these measures with national and/or European humanitarian law. Should these measures be declared incompatible with these constraints, they would be declared invalid, leaving those who must actually manage migration flows unregulated and asylum seekers making their way to the EU in a legal limbo (see also cepStudy).

Therefore, when drafting regulations for migration flows, the EU should take greater account of the advice of NGOs and stakeholders involved in humanitarian support for migrants, who often point out

the problematic nature of national and European migration regulations in advance, but who have even been opposed by some national governments in recent years because they insist on respect for the human rights of migrants.

An important component of the strategy announced by von der Leyen concerns possible agreements with migrants' countries of origin and transit in order to reduce the number of asylum seekers arriving in the EU. The ease with which the EU and its Member States have recently tended to grant "safe third country" status in order to facilitate agreements on migration flows is dangerous: here too, the often systematic human rights violations in countries whose governments are often seen as part of the solution to migration crises are not adequately taken into account, although in reality they are often one of the causes.<sup>56</sup> The cases of Libya, Egypt, Tunisia and Morocco, to name just those with which the EU is most vigorously considering agreements, are well known in the chronicles. In this case too, the correct objective of regulating migratory flows should take into account the analyses of international organisations that promote human rights, in order to ensure that the measures taken against asylum seekers guarantee respect for their dignity and fundamental rights.

# 2.3 Supporting people, strengthening our societies and our social model

# 2.3.1 Objective: Reduction of unethical practices of online platforms

The Commission President wants to "tackle unethical techniques used by online platforms by taking action on the addictive design of online services, such as infinite scroll, default auto play or constant push."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 20.

### Proposed measures to achieve this objective

The Commission should ensure that social media platforms comply with existing regulatory requirements and self-imposed age restrictions. It should also inform users about mechanisms that social media platform providers use to keep users on platforms or bring them back. These include the following design elements: push notifications, endless scrolling & streaming, variable rewards as well as likes & shares. Social media platforms that use particularly addictive designs should be labelled with a warning. In addition, social media users should be informed more easily about the options for deactivating addictive designs. If necessary, such designs should be deactivated by default.<sup>57</sup>

<sup>&</sup>lt;sup>56</sup> Berfin Nur O. (2023), Unpacking the Safe Third Country Concept in the European Union: B/orders, Legal Spaces, and Asylum in the Shadow of Externalisation, International Journal of Refugee Law, 35/2023, 272-303. Available at: <u>Oxford Academic</u>.

<sup>&</sup>lt;sup>57</sup> See Kullas, M. (2024): Posten, Liken, Scrollen – brauchen soziale Medien eine kürzere digitale Leine?, available at: <u>https://www.cep.eu/de/eu-themen/details/posten-liken-scrollen-brauchen-soziale-medien-eine-kuerzere-digitale-leine.html</u>.

## 2.4 Sustaining our quality of life: food security, water and nature

#### 2.4.1 Objective: Adaptation, preparedness and solidarity with regard to climate change

The Commission President wants to "step up work on climate resilience and preparedness" in view of Europe's faster warming due to climate change compared to the global average. To this end, she wants to "map the risks and preparedness needs for infrastructure, energy, water, food and land in cities and rural areas, as well as the need for data and early warning systems. This will be part of a European Climate Adaptation Plan, to support Member States notably on preparedness and planning and ensure regular science-based risk assessments." In particular, the Commission President wants to propose "new European Water Resilience Strategy" to ensure that water sources are properly managed and scarcity is addressed.

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 22.

#### Proposed measures to achieve this objective

As a first step, the Commission should define standardised EU-wide criteria within the framework of guidelines, which can be used to identify who is responsible for precautionary and adaptation measures as "risk takers" at EU level and in the Member States and who finances them. In addition, the Commission should provide Member State authorities and European companies with access to existing European databases, products, applications and services - such as the European Climate Adaptation Platform and the European Earth observation programme Copernicus - that facilitate the development and implementation of prevention and adaptation measures against the negative consequences of climate change. To safeguard water supply, the Commission should prioritise the negative impacts of climate change on aquatic ecosystems and water supply - e.g. in the form of droughts and floods - which have been increasing sharply in many regions of Europe in recent years, as part of the planned revision of EU water legislation and in particular the Water Framework Directive for the period after 2027.

# 2.5 A global Europe: Leveraging our power and partnerships

#### 2.5.1 Objective: New trade and investment partnerships

The Commission President wants to "build diversified and resilient supply chains" and "develop a new range of Clean Trade and Investment Partnerships." She also wants to "be more ambitious in enforcing our trade agreements."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 27.

#### Proposed measures to achieve these objectives

The Commission should finalise the trade agreement with the Latin American Mercosur countries as soon as possible. This trade agreement has been under negotiation for more than 20 years. The Commission should also finalise the other trade agreements currently being negotiated as quickly as possible, for example with India, Indonesia and the Philippines. In order to prevent blockades by individual member states, these trade agreements should consist of two parts, an EU-only part that does not have to be ratified by the member states and a second part that has to be ratified by the member states because it contains investment protection clauses. Trade agreements help to reduce the EU's

dependence on critical resources and raw materials that are important for the digital and green transitions as well as for defence. They also increase the competitiveness of European companies.

# 2.6 Delivering together and preparing our Union for the future

## 2.6.1 Objective: New own resources for the EU budget

The Commission President wants "strengthened and modernised revenues for the EU budget. New own resources will be needed to ensure sufficient and sustainable financing for our common priorities."

Source: Ursula von der Leyen (2024): Political guidelines for the next European Commission 2024-2029, p. 29.

#### Proposed measures to achieve this objective

The Commission should adopt measures to ensure that multinational digital service providers that generate high profits in the EU but pay hardly any taxes contribute to the financing of public goods in the EU. Multinational digital service providers often minimise their tax burden by artificially reducing their tax base and/or shifting their profits to low-tax countries (*base erosion and profit shifting, BEPS*). One way of taxing multinational digital service providers would be to introduce a VAT on revenue from users' value-added contribution to digital services. The money could flow directly into the EU budget.

# 3 Conclusion

The measures proposed in this cep**Input** are intended to help Commission President Ursula von der Leyen draft the so-called "mission letters" to the new Commissioners, which will be sent out in the autumn. These letters provide an outlook on the future areas of responsibility and priorities that the re-elected Commission President will assign to the candidates. Even though the Commissioners-designate will not yet have taken office at that time, the mission letters provide an initial clear orientation and support to effectively implement the political guidelines for 2024-2029. With the catalogue of measures presented and summarised here, the Commission can pursue its objective of strengthening the internal market as the heart of the EU in order to meet the geo-economic challenges and survive in global competition.

However, the political guidelines of the "von der Leyen II" Commission do not only require a different political focus. Equally important is the realisation that the regulatory approach must change for a more efficient and effective policy, especially in times of multiple crises and transformations that create uncertainty and complexity. Transformation-related conflicts of objectives must be addressed in a smarter way than traditional regulatory approaches have managed to do in the past.



Centres for European Policy Network FREIBURG | BERLIN | PARIS | ROMA

#### Authors:

**Prof. Dr. Andrea De Petris** Scientific Director Centro Politiche Europee | ROMA

Philipp Eckhardt Head of Division Financial Markets | Information Technologies

#### Dr. Anja Hoffmann, LL.M. Eur.

Policy Analyst Single Market and Competition | Digital Economy | Single Market & Competition

#### Dr. Matthias Kullas

Head of Division Single Market & Competition | Digital Economy | Economic & Fiscal Policy

#### Dr. Anselm Küsters, LL.M.

Head of Division Digitalisation and New Technologies

#### Dr. Götz Reichert, LL.M. (GWU)

Head of Division Energy | Environment | Climate | Transport

#### Dr. André Wolf

Head of Division Technological Innovation | Infrastructure | Industrial Development

# Centre for European Politics FREIBURG | BERLIN Kaiser-Joseph-Strasse 266 | D-79098 Freiburg Schiffbauerdamm 40 Rooms 4205/06 | D-10117 Berlin Tel. + 49 761 38693-0

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