

Newsletter

June 2023

Energy crisis

IT'S TIME TO MOVE FROM EMERGENCY TO STRUCTURAL MEASURES



The energy crisis, mainly triggered by Russia's invasion of Ukraine, revealed and identified some of the substantial weaknesses and disruptions in the EU economic system which has to be structurally improved and adjusted so that it can face similar exogenous shocks more effectively, mainly in terms of resilience, efficiency and

strategic autonomy. The impact of the energy crisis has been damaging in many aspects. Recently, the EESC has been analysing the impact of the energy crisis on the European economy and drafting recommendations for EU policy-makers how to ensure sustainable growth.

In 2022, the energy crisis directly contributed to the all-time inflation high in the recent history of EU integration, with average EU inflation at 9.2%, which is expected to fall to 6.4% in 2023 and 2.8% a year later. The high inflation had been the most visible phenomenon in the 2022 economic performance, with a knock-on effect on other elements of the consumer basket, and a strong impact on consumption and behaviour. This has had an enormous impact on households and businesses. The very high level of bankruptcy declarations in the EU also shows the seriousness of the situation.



The energy crisis has impacted the economy in terms of high inflation, weak economic growth, strong pressure on public finances and a loss of external economic competitiveness. Europe should do its best to move beyond emergency fiscal responses and focus on structural changes to allow it to decouple from fossil fuels more quickly. In this regard, the EESC recommends building on the ECB recommendations and establish a "Green triple-T" criterion so that future interventions are tailored, targeted and transition-proof. Untargeted price measures would only prolong the period of elevated inflation in the longer run.

For its smooth and competitive economic development, the EU needs reliable and secure deliveries of affordable energy based on an integrated energy market with a high share of clean energy, which is resilient and able to face disruptions and shocks. All policy steps should lead to inflation reduction over the course of this year and support economic recovery based on investments in the green, digital and strategically important sectors and industries, supporting the EU industrial base and global competitiveness, while using all advantages of the single market.

Adding to the impact of the energy crisis were the previous negative consequences of the COVID-19 pandemic, which strongly weakened the EU's economic performance after the biggest drop in GDP growth decline for many decades. Some sectors might suffer more from this cumulative effect. It also makes difficult to have the overall picture of the impact of the energy crisis on the economy, as some effects still stem from the COVID-19 pandemic. The fact that today's statistical data in some areas such as employment are rather positive, certainly does not mean that the situation is perfect. Concrete analysis of the impact on economy can only be carried out when the crisis is over and when all detailed data are available.

The article was first published by [Czech Business Today](#).

REMIT: the biggest discussion will be on national competences

When the European Commission proposed the revision of the electricity market design in March, one part of the package, the revision of the REMIT regulation, was dedicated to better protection against market manipulation in the wholesale energy market. This revision was urgently needed, as the current REMIT regulation is not able to cover new trends such as the high level of digitalisation.

The proposed amendments aim to align the REMIT legal framework with other EU legislation in the financial, competition and taxation domains. Moreover, the proposal allows for better data sharing and the EU energy regulator, ACER, will be able to share the data with ESMA and Eurofisc. This should allow ACER to have a complete picture of the situation on the wholesale energy market. However, questions remain as to whether ACER will have the capacity to analyse such a volume of data and how these will be collected and stored.

In this regard, in its upcoming opinion on REMIT, the EESC highlights the need to streamline data and information processes. It points out that with the development of the market, new rules should not discourage new entrants. It calls for proportionality in data reporting and the application of the once-only principle. The data collecting should also avoid any kind of misuse of the data collected.

The revision reinforces the cooperation between ACER and national regulators and the power of ACER in investigating in cross-border cases and in cases when non-EU-based market participants are involved. How efficiently this new competency is exercised will heavily depend on the cooperation between ACER and NRAs. As there is a patchwork of national decisions and sanctions, the amended REMIT proposes to harmonise the level of the fines imposed at national level. In this regard, the EESC points out that penalties must be effective, dissuasive and proportionate and notes that the proposed fines for legal entities and natural persons are at a very high level.

ACER would be even more ambitious and would like to receive the competence of enforcing and sanctioning in the same way as ESMA. However, NRAs question the capability of ACER to exercise the new competence on top of its current high workload. It seems that the biggest discussion in the Council will be around the topic of transferring national competencies to ACER.

Read the full article: <https://europa.eu/!9QbTjT>



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An analysis of the EU's recent measures and resilience in the field of energy

EXTRAORDINARY TIMES REQUIRE EXTRAORDINARY MEASURES

The EU energy system has been heavily impacted by the effects of the Russian aggression against Ukraine, with energy security concerns making headlines, whether in relation to energy prices and security supply, once it was realised that Russia was no longer a suitable partner.

European society is very concerned with the issue and its effects on wealth and social cohesion in the EU. Within this framework, the Commission and the Council, late but still on time, have adopted several emergency measures focused on: a) guaranteeing energy supply, b) trying to address and counterbalance rocketing energy prices and c) trying to reduce dependency on Russian fossil fuels – electricity, gas, oil and coal) – that provide Russia with huge amounts of money to continue its war against Ukraine and no security of supply to EU consumers. The Council has launched several toolboxes adapting the State Aid Regulation, to help households and companies cope with energy prices.

The extraordinary measures have proven to be effective in diversifying fossil fuel sources, moving away from Russian dependence, but far less effective in tackling energy bills. The impact on prices has seriously affected industrial energy demand and vulnerable households, feeding the inflation wave that the EU economy is still suffering.

Luckily, a mild winter season has provided relief, together with measures focused on filling the EU's gas storage. These measures have proven to be effective, although we do not know what next winter has in store.

Once more, the energy crisis has showed the enormous difference between Member States, as it has been impossible to adopt uniform measures among them. Measures adopted differ from country to country, as taxes, subsidies, and domestic regulations are national, but energy prices remained at very high levels across the board.

Households' disposable income was reduced, as well as industrial competitiveness, at first due to energy prices, and then by the "second round" inflation that followed the energy price rise, and which still continues.

In the upcoming EESC opinion TEN/799 "[Monitoring the EU's extraordinary measures and resilience in the field of energy](#)", which will be discussed at its June Plenary session, the Committee strongly recommends that the EU reinforce its long-term vision for achieving the twin transition (green and digital), with realism and pragmatism, avoiding leaving people behind. This should be achieved through short-term measures as well as structural measures that balance the fast



replacement of fossil fuels with the competitiveness needed for EU companies in the international arena.

The transition to fully decarbonised energy supply must be closely linked to affordable and stable energy prices, favouring the decarbonisation of companies, both large companies and SMEs, and households. The current permit process is so slow that it seriously hampers the quick deployment of carbon-free technologies to replace the dependency on fossil fuels imported from non-EU countries.

The extension of renewal technologies requires a stable and predictable remuneration scheme, linked to long term actual product costs, and should be decoupled from fossil power technologies.

I think that this strategy makes a positive contribution to improving resiliency and promoting energy autonomy.

Electrification must be easily expanded without harming households and companies. The best way to deepen the electrification of the European economy is to make electricity the best choice in terms of stability, guaranteed supply and price.

Closely linked to this Opinion is access to critical raw materials, which are essential for industries to operate in a stable environment, advance towards decarbonisation, and avoid supply disruptions, thereby protecting the supply chain.

Nothing can be done without social acceptance, and to reach it, social dialogue is critical in order to gather all the stakeholders involved.

To wrap up, the emergency measures have provided a security of supply, a push for a substitution of Russian gas and regulatory tools to cope with the energy crisis. However, a comprehensive electricity market reform is still needed to guarantee a friendly environment for companies and families in the long term.



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Member of the EESC Employers' Group

Laurențiu Plosceanu, EESC Vice-President in charge of Communication

TOGETHER WE CAN MAKE A DIFFERENCE

Dear colleagues and friends,

to begin with let me express my gratitude for designating me as the EESC Vice-President chairing the Communication commission for this half mandate!

Let's have a quick overview to better understand the challenges ahead of us in the field of communication.

More than a year ago, KANTAR, an external consultant, produced an assessment of the Committee's communication and identified a number of shortcomings. The report asked questions about what the Committee should communicate, how it should do so, and – also important – to whom it should communicate.

This was the starting point for developing a new Communication Strategy which was adopted by the Bureau last October.

It will be my task to put this strategy into action. This will be an important challenge and I will need your help to succeed.

Let me briefly touch upon four elements that I consider to be important:

- Firstly, **the format of opinions**
- Secondly, **the connection with our target audiences**
- Thirdly, **priorities in communication** and
- Fourthly, **the follow-up to opinions**

1. Format of opinions

When we talk about our communication, we first need to look at what we produce – our opinions. I can inform you that I am a member of a working group that is currently re-examining the format of the Committee's opinions. The working group has the mandate to come up with proposals on how to make our opinions more effective and attractive before the end of this year. Should we draft legislative amendments? Should we have complementary views in the opinions? Should the opinions be shortened or can we include new elements like infographics? These are matters debated in the working group and I would be very much interested in receiving your views on them.

2. Contact with our target audiences

A second important matter is "targeting" the audience of our work. The EESC puts a lot of energy into drafting its opinions, but sometimes the other EU institutions are not even aware that there is an opinion in the making. Identifying, at the very beginning, the key stakeholders in the other institutions and seeking contact with them is very important for the success of our work. Who are the rapporteur and the shadow rapporteurs



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in the European Parliament? When is the proposal first discussed in the parliamentary committee and in the Council working group? We need to know these things from the very beginning. Each opinion should, therefore, start with a roadmap identifying the key stakeholders and the procedural steps in the European institutions.

A few weeks ago, the press service started to draft short press releases for every opinion adopted at the section or the CCMI. Why are we doing this? To raise awareness of the opinion at an early stage, even ahead of its adoption by the full Committee. Please use this new instrument. The secretariat should send it directly to the key stakeholders in the other institutions.

As of May 2023 we are also offering the possibility to any rapporteur/co-rapporteur or any EESC member to record their main recommendations on every specific opinion at the new stand-up video recording facility for Members.

3. Setting priorities

We know from research that people remember a message when they are exposed to it at least five times. In order to be effective, we must move away from one-time communication on a subject towards messages that are repeated over and over again. Therefore, the communication strategy proposes to focus on a limited number of priorities and to communicate about them over a longer period of time on the different communication channels of the Committee.

As an example, the CCMI has identified four such communication priorities for this year:

- 1) The blue deal
- 2) defence
- 3) critical raw materials and
- 4) resource- and energy-intensive industries

I would like to congratulate the CCMI for this choice because all these matters are high on the list of citizens' expectations towards the European institutions. According to the latest Eurobarometer survey from February 2023, the top five concerns of citizens on which they expect the EU to deliver are the following:

1. the cost-of-living crisis
2. energy supply
3. the international situation
4. the environment and climate change
5. the economic situation

We will also work along these same lines with every section and group.

The rapporteurs and the members of the study groups have a key role in communicating the work of the Committee. I would like to encourage you to be as active as you can. The services have already put two measures in place to empower members to communicate about their work:

- A) Since the beginning of this year, the Directorate for Communication is offering personalised advice on the use of social media. Any member can contact the services and arrange a bilateral meeting on how to become active on social media or how to become a true professional.
- B) As of a few weeks ago, you can now also record your own messages with a professional camera in the library space on the first floor of this building.

Please use these new possibilities to amplify the voice of the EESC.

4. Follow-up to opinions

We should start measuring our impact.

We should be more vocal about our success stories. By demonstrating that parliamentary committees and Council working parties are listening to the EESC, we build our reputation as the effective voice of organised civil society.

This year, the Economic and Social Committee celebrates 65 years of its existence. This is the perfect moment to talk about our achievements. I would indeed like to use this occasion to launch an information campaign to showcase how the Committee's work has improved European legislation.

The EESC has shown remarkable resilience over these 65 years. It has advised the EU institutions on thousands of legislative proposals and has tirelessly defended the position of organised civil society. It is essential for the future of the Committee that we communicate this.

The 2024 European elections are a useful context for us to more effectively spread our key messages on behalf of the social partners and organised civil society – and European citizens as well!

Our resources are certainly limited compared to the other institutions: Our communication staff is a fraction of that of the other institutions and our annual communication budget would last no more than three days in the European Parliament.

However, if we focus on key messages, our key audiences and our key competences we can make a difference. In this sense, I am very much looking forward to working with you.

Upcoming EESC Extraordinary Employers' Group meeting A COMPETITIVE EU INDUSTRY FOR A SUCCESSFUL GREEN TRANSITION

Employer representatives from 27 countries are in Luleå to discuss the conditions for the green transition, sustainable growth and the EU's new competitiveness agenda on 19–20 June.

The success of the historical transitions we are facing will ultimately depend on how well businesses and the economy as a whole will operate in the changing ecosystems. Only by being a world leader in innovation and sustainability can Europe successfully compete globally and create the necessary prosperity.

Together with experts from academia, politics and the business world the EESC Employers' Group will discuss how energy-intensive industries and the construction sector can be a vital parts of the green transition.



#FocusOnTheEssentials | @employers_EESC

A competitive EU industry for a successful green transition

20/06/2023 | 8h30-11h45 | Luleå, Sweden

BYGGFÖRETÄGEN



European Economic and Social Committee
Employers' Group

Find out more about the event:

- Event website: <https://europa.eu/!MtfXVp>
- Follow the event via the EESC Employers' Group Twitter account: [@employers_EESC](https://twitter.com/employers_EESC) #FocusOnTheEssentials

The Metaverse will transform our economy

The word "metaverse" is the result of a contraction between "meta" and "universe". It refers to a universe that goes beyond the one we know and beyond the way we approach reality. The metaverse is an immersive and persistent virtual universe, which we accept as a discussion, working and even living space, which every citizen can enter and where everyone can have a virtual existence, parallel to the one we have in the real world.

The concept of the metaverse is not entirely new. Already at the beginning of the 2000's, the American company Linden Lab created a metaverse named "Second Life". People entering this metaverse used avatars to interact, similar to a social network. They could buy, consume and produce with their own money and, in a certain way, have a double life via this virtual space. In order to reduce the frontier between the physical and the digital worlds, it was possible to convert digital money earned in the metaverse into real money. At that time, it was a real revolution, with half of the population being enthusiastic, but the other half being afraid of potential mental diseases the metaverse could cause in vulnerable people.

20 years later, stimulated by the development of gaming, the metaverse is a cultural and societal model which is growing and which we won't be able to avoid. The metaverse is a sustainable world, with its own societal codes and organisational structures: in the metaverse, one can earn money, buy objects, clothes, and buildings, and entertain oneself. It is a universe where you can live a parallel life, which continues to develop even when you are not connected.

Tomorrow, our economy will be totally transformed. Not only the gaming sector and digital content will be impacted, but the real economy, for instance transport and also health, will be totally changed. Our social relations will change as well, in the way we interact with others, and in the way we work.

The European Economic and Social Committee (EESC) has always been a pioneer in reflecting on disruptive models and technologies. This was the case with artificial intelligence, where the EESC was the first institution to defend a "human in command" approach, with blockchain, and now with the metaverse. In fact, the EESC received from the European Commission (EC) a request for an exploratory opinion on the Initiative on virtual worlds, such as the metaverse. The European Commission was eager to listen to the voice of organised civil society in due time, ahead of the adoption of its initiative.

The EESC delivered and managed to position itself well at the very beginning of the legislative process, thus reinforcing its role and impact. The opinion [CCMI/206 "Initiative on virtual](#)



[worlds, such as the metaverse"](#) was adopted at the April plenary session, and the Commission proposal is scheduled for adoption in mid-July. The Commission welcomed the EESC's document. This is a very positive signal, especially considering the new cooperation framework between the two institutions and the need to reinforce synergies.

In its opinion, the EESC explains that there are three types of metaverse, all of them full of potential: the consumer metaverse, which serves as the recreational space where individuals can engage in virtual-reality gaming and social interactions; the enterprise metaverse, which provides a platform for co-designing with customers; and the industrial metaverse, which acts as a portal for manufacturing products. The industrial metaverse holds significant potential for European companies looking to optimise their operations, gather data and improve performance. For example, the use of digital twins in the industrial sector has proven to be a valuable tool for designing without physical prototypes.

The EESC is convinced that the metaverse and the development of virtual worlds are likely to have a drastic impact on the way we live together. Many questions are arising, for instance on the economic system we want to have, on the potential risk to the mental health of citizens of the metaverse, and on the legal framework to be developed around this virtual space where anything is possible.

Nonetheless, the EESC believes that the metaverse has the potential to provide solutions to unsolved problems and enable products to be manufactured at lower cost and in less time, improve quality, reduce risk and increase efficiency: the industrial metaverse would enable savings at various stages of the production cycle. The EESC's opinion provides examples of benefits that are already being experienced in certain industrial sectors: the healthcare sector is using virtual-reality training solutions to improve compliance with clinical trial protocols, and in the aeronautics and space sector, the digital twin concept is already being used as a platform to create 3D replicas of new aircraft and production systems to support

engineering and simulation activities. Last but not least, the EESC finds that the metaverse could potentially have a positive impact on the environment and climate change by enabling remote working on a new level, reducing the need for physical travel and reducing carbon emissions.

After this first opinion on the metaverse, the EESC is looking forward to the upcoming non-legislative initiative on virtual worlds that the European Commission is preparing for July.

The EESC will elaborate an opinion on this and closely follow the development of this thriving sector in the years to come.



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Harnessing talent in Europe's regions

The EU's working age population is expected to shrink dramatically by 35 million people by 2050. Rural regions in particular, which are already struggling with a range of labour market issues, will be severely affected. To counteract these worrying prospects, the key initiative Harnessing Talent in Europe's Regions intends to enhance the attractiveness of affected regions.

The European Commission's Communication [Harnessing Talent in Europe's Regions](#) was published at the beginning of the current European Year of Skills. Its goal is to equip regions with the tools needed to promote and retain the talent necessary for their ongoing development. The regions in focus are the ones affected most by a decreasing working age population, have a small percentage of university graduates, and regions that are experiencing a significant departure of young people.

Harnessing talent and attracting, retaining and motivating qualified workers in all regions is key to the competitiveness of Europe's enterprises. The initiative commits to tackling the challenges in the labour market in a holistic way – especially those related to the lack of human resources – through long-term solutions, such as the provision of necessary infrastructure, sustainable resources and enhanced mechanisms for linking job-seekers to suitable job offers.

A number of EU funding tools related to cohesion policy are already available, such as the ERDF, the ESF+, the Cohesion Fund and the Just Transition Fund. It is important that these existing tools be used in a coordinated and complimentary manner in order to boost the competitiveness of the EU's regions.

Europe's less advantaged regions need to make themselves attractive for companies to start businesses and thereby bring jobs and innovation. This involves a number of measures, from providing quality public services, to childcare and education opportunities. To find tailored solutions for every region, cooperation between regional authorities, social partners, employment services and education and training providers is necessary.

A lack of skills in certain EU regions is at the core of the problem and the solution has to come from various levels.

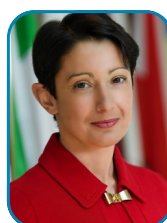


Firstly, the forecasting of future skills needs has to be conducted in an ongoing and precise manner, keeping in mind the changing demands of the twin transitions. Based on these analyses and in cooperation with social partners and civil society, curriculums have to be adapted and updated. Secondly, everyone, wherever they are living in the EU, has to have easy access to high quality public education and training. Career guidance also needs to be made available to all and the teacher shortage has to be reduced.

Another way to fight Europe's labour shortage is to attract third-country nationals into the EU's labour market. To generate a win-win situation, third-country nationals need targeted support for their integration, which includes access to high quality public services in the EU.

All these measures touch on a core aspect of Europe's integration – freedom of movement. People need to have the choice to stay in their home region and should not be forced by socio-economic reasons to leave their regions. We must guarantee opportunities in all of Europe's regions if we want to ensure Europe's competitiveness and safeguard this fundamental right of Europeans.

Upcoming opinion on ECO/610 "Harnessing talent in EU regions": <https://europa.eu/IX9GhHY>



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The Nature Restoration Law:

WHERE DO THE PRODUCTIVE SECTORS FIT IN EUROPE'S FUTURE?

The Nature Restoration Law proposal, which was published in June 2022, has developed over the past months, and it is clear that the farming, forestry, and fishing communities have been alienated by the process.

As the European Parliament's competences were unequally distributed, neither the Committee on Agriculture and Rural Development nor the Committee on Fisheries have full competence on the articles most relevant to the work of their members, these being Articles 5, 9 and 10, on marine, agri-ecosystems and on forest ecosystems. As a result, their opinions on the relevant articles have not been taken into account in the development of the Committee on Environment's file.

It is clear that farmers, forest-owners, and the fishing community are not against biodiversity, but it is also clear that the lack of a reasoned response to their concerns has made this law unfeasible. For decades, these sectors have actively been working towards the three pillars of sustainability: economic, environmental, and social; and in doing so they have actively contributed to the redevelopment and restoration of degraded biodiversity. These communities are not saying that restoration should not happen, but that it must come with realistic expectations of how it should take place. Alongside this, we must ensure that restoration should not force families in these communities to lose their productivity and their ability to earn a living, which this law would do.

Likewise, the law from the beginning was not based in reality with regard to its proposal regarding non-deterioration, non-fulfilment criteria, adequate and designated financing, and targets regarding the removal of essential productive agricultural and forestry lands from active use. Without concrete and deliberate movement towards a realistic path on these issues, Member State governments will be doomed to fail before the first legally binding target of 2030. In the long run, when there is little voluntary uptake of measures by landowners, land managers, and fishermen on the ground, Member States will be forced to enact stringent and



compulsory measures on these sectors. With such measures including real and extreme targets on rewetting and arbitrary percentile yearly deadlines, and lacking clear financing tools to facilitate the targets being set out, these communities have a real fear of what this proposal will bring in the short-, medium-, and long-term of their sectors.

As a result, in response to the developments, the farming and forest-owning community held a flash action protest in Place du Luxembourg on 1 June in order to ask where they fit in the future of Europe, and the sustainable development of their sectors. Organised by Boerenbond (the Flemish farmers) and La Fédération Wallonne de L'Agriculture (FWA – the Walloon farmers) with collaboration from Copa-Cogeca, the European farmers and European agri-cooperatives, this protest received wide support from MEPs.

These times are putting enormous pressure on Europe's agricultural sector. To allow Europe's farmers to continue to reliably provide affordable food and contribute to Europe's green transition, new regulations have to be drafted with realistic goals in mind.



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