

DG GROW
Meeting between Commissioner Breton and BDI President Russwurm
Virtual, 10 March 2021
Industrial Strategy, Digital policy, public procurement

BRIEFING NOTE *(Commission Internal)*

Scene setter/Context of the meeting:

You will meet with the new President of the BDI (Bundesverband der Deutschen Industrie), [REDACTED], and [REDACTED]

The BDI is the umbrella organization of German industry and industry-related services. It represents the interests of 40 trade associations and more than 100,000 enterprises with around 8 million employees.

The meeting will revolve around three topics: the **update of the Industrial Strategy** (with a focus on business-friendly environment for SMEs and the green transition), key **digital policy** issues (GAIA-X, data spaces, space projects) and **public procurement** (IPI and thresholds for the application of EU public procurement regime).

KEY messages

- As announced in the State of the Union address in September, we will update the Industrial Strategy in the first half of 2021.
- To meet our increasingly ambitious climate targets, we are deploying increasing support for the green transition.
- SMEs will be crucial to the success of our Industrial Strategy.
- In the Digital Decade Communication adopted yesterday [9/03], we present a comprehensive vision for our digital leadership.
- European data spaces will be key for our future. We encourage the commitment of German companies, especially in the area of manufacturing, climate and mobility.

Line to take

[Industrial Strategy and its update]

- The implementation of the **new Industrial Strategy** is well on track, with many measures already presented by the Commission since March 2020.
- The impact of the COVID-19 pandemic has confirmed its priorities: **twin transitions, competitiveness and resilience**.
- As announced in the State of the Union address in September, we will update the Industrial Strategy in the first half of 2021.

[Support for the green transition]

- The twin transition will underpin our future competitiveness. The Green Deal is Europe's new growth strategy.
- Our ambition of 55% emission reductions by 2030 to reach carbon neutrality by 2050 will require a profound transformation of our industry, significant investments in **breakthrough technologies**, and the **creation of new lead markets**.
- Investments in **decarbonisation of energy-intensive industries** will be a priority, including funding for breakthrough technologies under Horizon Europe.
- Joint investments in the **battery value chain or clean hydrogen** to produce carbon-neutral steel are flagship actions for the recovery.
- And we will support the creation of demand and lead markets for **clean, low-carbon, energy-efficient and circular products** with a new product policy that introduces sustainability criteria for goods sold in Europe.
- One example on how to get this right is the **Battery Alliance** approach.

- In January, the Commission announced the approval of €2.9 billion public support by twelve Member States for a second pan-European research and innovation IPCEI along the entire battery value chain.
- Companies of all sizes can take part in IPCEIs, including SMEs. Moreover, IPCEIs also need to demonstrate **spillover effects** that go beyond the participating organisations and member states, bringing value for non-participating companies and local communities.
- We welcome that several Member States, including Germany, started to explore a **possible IPCEI on cloud and edge**. We encourage interested German industry partners to engage in this project and come up with concrete and strategic investment requirements.
- Hydrogen will of course play a big role in the decarbonisation of industry: the Hydrogen Strategy and the **European Clean Hydrogen Alliance** with an investment agenda to support ambitious deployment of hydrogen technologies until 2030.
- The roundtables of the Alliance will elaborate on a project pipeline that will implement the 2030 objectives set in the Strategy. The focus will be on deployment of large projects.
- The deep decarbonisation of industry and mobility will require **abundant and affordable decarbonised energy**.
- Industry's efforts towards climate neutrality and sustainability must also be seen in a global context. We need to **avoid carbon leakage and ensure a level-playing field**: we will propose a new WTO-compatible Carbon Border Adjustment Mechanism in 2021 for selected sectors.
- In addition, the EU continues to encourage its **global partners** to increase their level of ambition and to take all necessary measures to meet the objectives of the Paris agreement.

[SMEs]

- SMEs are central to the achievement of our industrial ambition. They comprise the majority of companies in all **14 strategic industrial ecosystems**, and many of them are great innovators.
- Both the ‘frontrunners’ in terms of transition and innovation as well as the ‘followers’ need an environment in which they can thrive. And SMEs have been hit particularly badly by the crisis. 90% of SMEs saw their turnover fall; 2 out of 3 delayed investment decisions; 1,5 million jobs were lost in SMEs.
- The **SME strategy** has become the reference tool for supporting SMEs. Many key actions were advanced to provide direct support to SMEs during the peak of the pandemic (e.g. risk capital for start-ups).
- **Reducing the regulatory burden** for SMEs is one of the major concerns of the SME strategy. The Commission will work for a rigorous application of the SME test for any new EU legislative initiative, including those related to the Green Deal.
- The **Enterprise Europe Network** has been able to help SMEs during the crisis and it supports them in the twin transition. For example, specialised sustainability advisors are available to support businesses.
- The new **European Digital Innovation Hubs** will also support the Enterprise Europe Network. Up to 240 Digital Innovation Hubs will help SMEs integrate digital innovations into their products, business models and processes.

[Digital Decade]

- In the **Digital Decade** communication adopted yesterday [9 March], we present a comprehensive 2030 vision for Europe’s digital leadership.

- Digital **infrastructures** and digital **skills**, **digital transformation of businesses** and of the **public sector** are the four cardinal points of Europe's Digital Decade.

[Data and cloud infrastructures]

- We will invest around €2 billion in **European cloud federation and data spaces**.
- Data spaces supported through the **Digital Europe programme** will allow companies to share and manage data with the highest standards on security, privacy, and data portability.
- We very much welcome the fact that the **BDI is actively contributing to the shaping of these data spaces** through its working group, but also through studies.
- We would like to call on the BDI to motivate its members to get actively involved in the emerging data spaces by investing and coming up with ideas for fair valorisation models, when setting up European data spaces in the area of **manufacturing or mobility**.
- European data, in particularly industrial data, need to be shared, stored and processed in line with European rules. We introduced a **Regulation on European data governance** and we will present a **Data Act**.
- Our proposal on a **Data Act** to provide the best conditions for the access to and control over data in B2B and B2G situations, for a fairer data economy.
- I am glad that all EU Member States have signed the declaration on '**Building a next generation cloud in Europe**', which acknowledges the urgent need to cooperate to foster Europe's technological sovereignty in the area of data processing. We must act together and rapidly.

- Ambitious private and national investments will be needed to create the next generation of European data processing backbone, so that we can **move from cloud to edge**.
- In order to stimulate needed investments and increase European capacities, we **intend to launch soon a European Alliance for Industrial Data, Edge and Cloud**.
- **GAIA-X** shows that German industry is not only on board, but wants to actively and urgently advance the topic.
- The planned investments in open source technologies and in first industrial applications, as we see them in the draft Recovery Plan, **can be further strengthened**.
- We encourage interested German industry partners to engage in this project and come up with concrete and strategic investment requirements.

[Data spaces - Space]

- The EU is promoting the use and uptake of **Copernicus** as a driver of innovation for the European Data Economy.
- Thanks to modern ICT technologies, the integration of Copernicus data assets into **European Data Spaces** with data contributed by other vertical domains will enable sizeable and scalable applications.
- This will greatly enhance **Copernicus downstream market**. Likewise, many vertical domains, for example agriculture, health, energy etc. will benefit from the use of Copernicus.
- We are working to build bridges between our digital and space programmes to maximize business opportunities for everyone.
- **Cassini**, our support programme for space targeting start-ups and SME, also strives to promote space outside the space bubble, by making European Space Infrastructures and data known to the larger ICT stakeholders.

- By increasing use and reuse, the EU maximises its return on investments on Space, creates opportunities for new business, and increases the number of qualified jobs in Europe.

[The importance of space projects for digitalization ('New Space')]

- The future growth of the space industry relies on a combination of strong institutional leadership and an **industrial New Space** thrust – where private companies will increasingly emerge as forerunners in space technology and space missions.
- To be able to penetrate more markets and find new paying customers for digital services based on space data, Europe's space industry needs better access to investment to fund their expansion plans.
- The **economic growth of the space industry** globally has been a rapid expansion of approximately 7% annually over the last 15 years, and in the coming decade internet connectivity via space and autonomous devices will power another period of strong growth.
- Navigation maps and weather alarms on smart phones are just the beginning: up next are a broad range of automated devices, self-driving vehicles and autonomous industrial manufacturing.
- At the same time, we are faced with challenges of ensuring a **sustainable and equitable society**.
- Europe's strategy is to achieve the objectives of sustainability, economic growth and more strategic autonomy by linking the **EU Space Programme with the Green and Digital Agendas**.
- The instruments used to deliver on this will include the Space Programme and CASSINI Space Entrepreneurship Initiative, Horizon Europe and Digital Europe Programme. To improve access to finance, EIF and EIB will implement the financial products defined by the Commission under InvestEU.

[Public procurement - IPI]

- In view of the current imbalance in openness of global procurement markets, it is important that the EU takes a more assertive stance. The adoption of the **International Procurement Instrument is key for achieving reciprocity.**
- The file is currently progressing quite well in the Council under the leadership of the Portuguese Presidency.
- The **support by German industry** is of key importance to the finalisation of the IPI.

[Public procurement – thresholds]

- We do not plan to propose an increase of the **thresholds for the application of the EU public procurement regime.**
- The current situation does not require higher threshold values.
- The public procurement Directives **provide for the necessary flexibility** for public buyers to purchase goods and services directly linked to the COVID-19 crisis as quickly as possible.
- The Commission aims for publication of the Article 92 report (after reviewing the economic effects resulting from the application of the thresholds) still in 2021.

Defensives / Q&A

Public procurement

Question: *Why has the Commission not published the Article 92 report by April 2019 as foreseen in the directive?*

Answer: Transposition of the 2014 Public Procurement Directives by Member States was delayed on average by two years. There are still ongoing infringement procedures concerning individual countries and issues.

This has also delayed the publication of the report pursuant Article 92 of Directive 2014/24/EU originally foreseen for April 2019. The Commission has postponed all of its reporting activities under the Directives to 2021.

It is necessary, in our view, to give public authorities more time to apply the rules and get a better idea of their effects. In addition, the COVID crisis, which required flexible ad-hoc responses to special needs in public purchasing, has led to further delays when it comes to applying the thresholds and a meaningful assessment of their effects.

Question: What is the progress on the IPI proposal? When will it be adopted?

The discussions in Council have progressed well since spring 2019. We hope that the Portuguese Presidency will be able to secure consensus on a common way forward and that agreement with EP is possible in 2021.

Background information

Name of Cabinet Member: L. CAUDET

Name of the Director who has cleared the briefing:

BASIS request ID: CAB BRETON 741

Room, time: 14:00

Participants:

Name of main contact person: [REDACTED] GROW F1), [REDACTED] CONNECT D1),
[REDACTED] (DEFIS 01)

Digital topics - BDI

For the BDI, digital infrastructures is high on the agenda, including the topics of GAIA-X, but also the rollout of 5G, the digitisation of small and medium-sized enterprises and the topic of eGovernment.

BDI consider the Commission's digital and data strategy to be a key instrument for providing a European response in the global competition for digital markets and business models and are looking forward to the envisaged dialogue with the Commission on how to further boost a European data economy.

As regards the development of European data spaces, the BDI and the German industry are in particular interested in discussing with the Commission the priorities and deliverables of data spaces in the area of manufacturing and mobility.

The German industry is involved in developing the Gaia-X cloud platform where companies like Deutsche Telekom, Siemens, SAP and Robert Bosch play a key role. In particular, the creation of digital trust is thereby of particular importance for industrial companies.

