

DG GROW
Meeting between Commissioner Breton and Business Europe
Brussels, 28 April 2021 15:00

Name of Cabinet Member:

Name of the Director who has cleared the briefing:

BASIS request ID: CAB BRETON/911, [REDACTED]

MINI BRIEFING NOTE

Scene setter/Context of the meeting/ Objective of the meeting:

In the context of the upcoming adoption of the Industrial Strategy Update, you will meet with [REDACTED] BusinessEurope, [REDACTED].

In February, BusinessEurope published its 'priorities' for the update of the Industrial Strategy. It called for the update to fully acknowledge the impact of COVID-19 on the economy. It also stated that for the green and digital transition to happen and to respond to the huge investments need, the level of financing support must be strongly upgraded in the EU. It advocated for the restoration of freedoms of movement in the Single Market to pre-COVID conditions and its deepening it in all areas. It recommended the update focus on how the robustness of supply and value chains should be further improved through diversification. It also asked to pursue an ambitious trade agenda.

Speaking points

- In March 2020, we published a 'New Industrial Strategy for Europe', along with a dedicated SME strategy and other specific actions for the Single Market.
 - Our strategy aims to support the twin transition towards a climate-neutral and digital EU economy, make EU industry more competitive globally, and enhance Europe's open strategic autonomy.
 - Our ambitions have not changed but the situation has: the pandemic hit the European economy very hard and, if recovery has already started, it varies across industrial ecosystems.
 - We will publish an update of our Industrial Strategy in the coming weeks, normally on 5 May 2021. It will build on the lessons learned from the crisis:
 - The need to strengthen the resilience of our Single Market;
 - The need to analyse and address strategic dependencies;
 - The need to accelerate the twin transition and support its business case.
1. The Single Market is the EU's most important asset, offering certainty, scale and a global springboard for our companies. However, disruptions severely affected its functioning during the crisis.
 - We will propose a Single Market Emergency Instrument, a structural solution that will ensure the free movement of goods and services if and when another European wide crisis happens, and pursue efforts to step up market surveillance in critical areas.
 2. The crisis also highlighted the importance of having a better understanding of EU's

strategic dependencies. We will provide analyses of dependencies in sensitive ecosystems and key areas.

- We will continue to support industry's efforts to build capacity in strategic areas. Member States and companies have expressed interest to engage in additional Important Projects of Common European Interest - such as cloud, hydrogen, microprocessors. We will also continue to support industrial alliances where necessary.
3. The pandemic has drastically affected the speed and scale of the twin transition. The business case for the transition is stronger than ever.
- Our immediate opportunity to accelerate the transition lies in recovery efforts. We assess carefully national Recovery and Resilience Plans in this perspective.
 - The investments of the national plans supported by the EU must consist of 37% of green investments and 20% of digital investments.
 - The Commission plans to co-create transition pathways with industry, Member States and other stakeholders to accompany ecosystems.
 - Industry needs a coherent and stable regulatory framework, access to capacities and infrastructure, finance for innovation and deployment, raw materials, decarbonised energy, and skills.
 - We will put forward actions to accelerate the rollout of renewable low carbon solutions across all industrial ecosystems
 - We will propose a Data Act and will support establishing sectoral data spaces.
 - The specific needs of SMEs will also be taken into account.

Defensives / Q&A

Question: What has been achieved since last year's Industrial Strategy was published?

Answer: Since the adoption and despite the ongoing crisis, great progress has been achieved on many fronts, and a great majority of the actions announced in the strategy have been adopted or kick-started.

These include important measures, such as: the Renovation Wave, the Chemicals strategy for sustainability, the launch of the Raw materials Alliance, the adoption of Clean Energy and Hydrogen strategies, the Digital Services Act (DSA), the Digital Markets Act (DMA), and a Data Governance Act.

Question: What is the SM Emergency Mechanism?

Answer: The COVID-19 crisis has shown that the current rules and tools for the Single Market are insufficiently adapted to crises and emergencies. For this reason, the Commission will develop an emergency instrument to ensure greater transparency and coordination if and when a critical situation emerges.

This will help mitigate the negative impacts on the Single Market, safeguard the free movement of services and goods and maximise the availability of essential products.

Reflections on such an emergency instrument are still ongoing, however the instrument could include reinforced governance tools, targeted transparency measures and tailored digital solutions.

Question: What can the EU do to reduce its dependency in strategic areas?

Answer: The Commission is identifying policy measures that can support industry's efforts to address strategic dependencies and to develop strategic capacity needs.

As outlined in its Trade Policy Review, the Commission will work towards diversifying international supply chains and pursue international partnerships. In addition, the EU should strengthen its own capacity in strategic areas where necessary.

The Commission will continue to support industrial alliances, where such alliances are the best tool to accelerate activities that would not develop otherwise, and where they help to attract private investors to discuss new business partnerships and models in a transparent and competition rules compliant way.

In addition, actions will be taken to support Member States' efforts to pool public resources via Important Projects of Common European Interest (IPCEI) in areas where the market alone cannot deliver breakthrough innovation. They will also assist SMEs to address

disruptions and vulnerabilities.

Question: What is your position on the Sustainable Corporate Initiative?

Answer: We are committed to implement the Green Deal and sustainability agenda and we must therefore encourage businesses, including SMEs, to better contribute and benefit from the transition to a sustainable economy.

However, we need to ensure that the new legislation on Sustainable Corporate Governance is practically implementable and proportionate, takes into account the current situation of EU industry, and does not harm its global competitiveness.

It has to be designed in such a way that it does not discourage businesses, and in particular SMEs on their path to sustainability due to the high costs and burden that they might face. This is particularly important in this difficult economic context. At the same time, we realise that it will be crucial to support companies in the implementation.

At this stage, the exact scope of the initiative has not yet been decided. Irrespective of the choice of scope, the proposal has to ensure clear coherence between obligations coming from different pieces of EU legislation, especially when it comes to avoid overlapping reporting (i.e. Non-financial reporting Directive) and due diligence obligations.