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Main messages

To be provided by DG COMP directly to Cabinet.

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Main messages

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Main messages

- The EU-Japan Digital Partnership (DP), launched at the EU-Japan Summit in Tokyo in May 2022, is the **first digital partnership the EU has concluded with any country**.
- The Partnership is a comprehensive agenda to advance cooperation on a wide range of areas. Both sides agreed to cooperate on digital infrastructures, the digital transformation of businesses and public services, the development of digital skills and digital trade facilitation.
- Japan is a like-minded partner country on data flows and protection issues. We have a reciprocal adequacy decision on data protection legislation since 2019. The EU-Japan relationship deepens thanks to fruitful exchanges on data governance and data flows.
- The EU and Japan are preparing for a **ministerial-level Digital Partnership Council, to take place potentially in Q4 2022, in order to take stock of the key joint priority areas**.

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Main messages

- The Commission recognises the potential of AI across the economy, including manufacturing. That's why it has from the outset not only addressed the specific risks which emanate from a few applications, but supported AI in many dimensions, by **funding research, fostering investment, strengthening skills, developing infrastructures** etc.
- At the same time, it has focused the regulatory approach on the **limited number of "high-risk" applications** where safety or fundamental rights of individuals are at stake. The applications are listed in the AI Act in an exhaustive manner, i.e. everything that is not specifically identified as a "high-risk" AI application does not fall within the scope of the regulation. In this manner, the **vast majority of applications** can not only be developed **without additional procedures, but also in complete legal certainty.**
- Regarding the small number of "high-risk" AI applications, the AI Act foresees only **very light requirements**, which in many cases are met anyway by the producers, such as making sure the product is accurate, robust and cyber secure. Moreover, these requirements will be standardised. As a result, **even for those cases no significant burden should arise.**
- Negotiations in the European Parliament and Council are on-going. The importance of supporting innovation has been raised by both institutions.

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Main messages

- The EU, via the national standardisation bodies of the Member States, is a large contributor to international standards.
- CEN and CENELEC are modelled on ISO (International Organization for Standardization) and IEC (International Electrotechnical Commission) respectively.
- We always try to avoid overlap or conflict between European and corresponding international standards, so CEN and CENELEC have concluded special agreements with ISO and IEC.
- **The EU is the only region in the world with such a high acceptance of international standards**: almost 75% of CENELEC standards are equivalent to IEC and around 30% of CEN standards are identical to ISO.
- We **promote the use of international standards and European standards with all our international partners.**
- To strengthen the economic relationship of the Union with neighbourhood countries and other important partner regions like Africa or Latin America and the Caribbean, it is necessary to promote and facilitate the adoption of European and international standards by these countries, as well as their participation in standard setting.
- For this purpose, the Commission will develop initiatives, including building on existing partnerships and cooperation projects between the European Standardisation Organisations and standardisation bodies in third countries.

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Main messages

- Interinstitutional meetings are ongoing and advancing well.
- The positions of Parliament and Council in the ongoing negotiations are fairly close to the original Commission proposal, confirming its balanced approach.
- As discussions of important and controversial aspects (e.g. possible scope extension, treatment of exports) are still outstanding, it is difficult to anticipate the outcome of the trilogues. This said, **we believe that a political agreement is possible before the end of the year.**

On scope extension?

- CBAM was designed as a measure that can be expanded over time to other sectors and types of emissions. Nonetheless, **these decisions should not be rushed**. The Commission is committed to undertaking the necessary analytical work.
- The starting point for the selection of sectors under CBAM was the EU Emissions Trading System. Further narrowing was done according to three criteria. First, whether the product is at **risk of carbon leakage**, second whether it is **technically feasible** to determine the embedded emissions of the products included under the scope and lastly whether, collectively, the sectors cover **more than 45% of CO_2 emissions of ETS sectors.**

- The **European Parliament has proposed a scope extension** to cover many other products, additional sectors, including chemicals, while the Council was more cautious in this respect. This issue is **still to be discussed** in depth in the ongoing trilogues.

On scope extension to downstream and final products

- The European Parliament has proposed a scope extension to cover downstream products.
- The Commission is looking into this aspect in its supplementary assessment with a view to avoiding excessive and disproportionate trade barriers and circumvention of the CBAM regulation.

What will the Commission do for the EU exporters?

- We are aware of the concerns regarding the impact of CBAM on competitiveness, notably from the energy-intensive and the exporting industries.
- Together with the co-legislators, we are constructively looking for ways to address these concerns in an efficient and WTO-compatible way.
- Our proposal foresees a smooth transition from free allocation of EU ETS allowances to CBAM. Free allocation will diminish gradually and cease in the CBAM sectors in 2036 according to the Commission proposal. This **should give time, legal certainty and predictability** for EU business to plan and adjust
- In addition, support to decarbonisation is already foreseen in the **Innovation and Modernisation Fund.**
- Finally, we are engaging with our **partners across the world** to favour the implementation of carbon pricing wherever possible.
- In the long term and in so far as third countries adopt strict carbon policies, the EU industry will enjoy a competitive advantage also on the export side, as it will have to decarbonise before third country competitors.

[redacted]

Main messages

- Our legislative proposal will leverage our industrial policy toolbox in **four key fields**.
- First, transform the Commission's current work on identification of critical raw materials of a strategic nature into a **legally binding and preparedness tool** to be able to guide our actions.
- Second, **ensure our industry is prepared and resilient**: we need to ensure we can monitor our supplies in real time and conduct stress tests to better anticipate supply shocks or crises. This implies a stronger governance between EU and Member States.
- Third, **identify strategic projects** serving to increase capacities along the whole value chain, including extraction, refining and recycling. Such projects, when meeting the required and strong social and environmental standards, need to be supported.
- Fourth, **set conditions that re-establish the level playing field** and drive the change of **global raw materials value chains** towards becoming more sustainable, circular and socially responsible.
- The package will also include an **external dimension** to deepen our co-operations with like-minded partners.
- A regulatory initiative won't solve all the challenges of the supply chains. Recently, we have witnessed strong developments in markets with the conclusion of **offtake agreements on the long-term supply of critical raw materials.** This could and should serve as a model for other industries as well.

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Main messages

To be provided by DG COMP directly to Cabinet.

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Main messages

- The concept of Data Free Flow with Trust (DFTT) recognises that **data must travel with its safeguards**, so that citizens/consumers can trust that their data will not be misused.
- Fostering trust in how data is handled is key to harnessing the opportunities of the digital economy. Lack of privacy protection leads to a lack of consumer trust, while trust is essential for the uptake of new solutions, technologies and business models.
- Data protection is an enabler for cross-border data flows and for the digital economy at large. This has been clearly recognised by the G20 Leaders in their Rome Declaration of last year, and the EU has consistently supported the concept of Data Free Flow with Trust, at the G20 as well as in the G7 format.
- There is **increasing consensus between the EU, Japan and partner countries on what DFFT means and what are the building blocks of the "trust"**. For instance, it is important to recall that the G7 has recently endorsed[1] the work by the OECD to develop high-level principles on government access to personal data held by the private sector.
- In this regard, **a provisional agreement was recently reached at the OECD** on a declaration on government access to data in the area of law enforcement and national security. This is the first time that a set of principles is endorsed at international level in this very sensitive field, and it is a **key element of the "trust" dimension to the DFFT**.
- "Trust" in data flows implies **strong privacy and data protection safeguards**, including with respect to **government access to data**, and I am glad that the consensus on what the DFFT and what "trust" means, in particular, is growing.
- While there is increasing consensus regarding the DFFT as a principle, the **next step is to identify avenues for its operationalisation. G7 leaders and ministers** have repeatedly expressed their **commitment to promote interoperability between their (data transfer) regimes,** building on existing commonalities and elements of convergence. That is clearly the path to reach further convergence, or alignment, and on that basis facilitate data flows, with trust.

[1] In the G7 "Action Plan for Promoting Data Free Flow with Trust". See background fiche.

- The G7 actually went one step further in this regard and specifically singled out, in the "Action Plan for Promoting Data Free Flow with Trust", **Standard Contractual Clauses (SCCs) as an instrument for cross-border data transfers** that can deliver such interoperability and therefore data flows with trust.
- Standard Contractual Clauses are a key instrument for the EU. It is very important for EU business to be able to transfer data abroad and it is used also in other countries and regions (e.g. New Zealand, the Association of Southeast Asian Nations (ASEAN) model contractual clauses). This is an **example of an instrument that is an element of convergence** that provides a basis to build further and reach interoperability.
- The **bilateral relationship between the EU and Japan is a perfect example of Data Free Flow with Trust in practice**. I would just mention in this regard the **EU-Japan mutual adequacy arrangement**, which builds upon convergence between our respective systems and has created the world's largest area of free and safe data flows. The DFFT concept also underpins our **Digital Partnership Agreement** and **Economic Partnership Agreement**.

Main messages

- In May of this year Japan and EU engaged in a Digital Partnership. It will advance cooperation on digital issues to foster economic growth and a human-centric digital transformation based on our common values.
- **Semiconductors are a priority area for enhanced digital cooperation.**
- Both sides intend to enhance their cooperation to strengthen the resilience of the global semiconductor supply chain, through
  - exchanging information on their respective **approaches on monitoring the semiconductor supply chains**, anticipating disruptions and effective early warning mechanisms and
  - exploring and promoting **research** in areas of combined strength, for example semiconductor technologies that will enable the future architecture of next generation computing, power semiconductor technologies, sensing and integrated photonics.
- In the mid- to long-term, we are interested in exploring **cooperation to increase capacity** across the entire semiconductor value chain and jointly striving to ensure a **more geopolitically balanced production**.

[redacted]

[redacted]

Main messages

- Digital technologies are expected to play a key role in achieving climate neutrality, reducing pollution, and restoring biodiversity. By measuring and controlling inputs and with increased automation, technologies like **robotics and the internet of things** could improve resource efficiency and strengthen the flexibility of systems and networks.
- Energy efficient **blockchain-based data management** across the lifecycle and value chain of products and services could galvanise the progress towards a more circular economy and competitive sustainability.
- The proposed **Ecodesign for sustainable products regulation** intends to ensure that in 2050 all products on the European market are sustainable and aims to keep products in use as long as possible via improved design, production and processes and improved reuse, repair, disassembly and durability of products.
- One key element of the proposal is **digital product passports** that enable enhanced material, component and end-to-end traceability and make data more accessible, which is essential for viable circular business models. Those passports are already foreseen in the Batteries regulation and will also help the end of life of batteries and appropriate dismantling and recycling of components and materials.
- One additional key component of Circular Economy is improving and modernising the waste management and waste streams itself. **Waste collection, sorting and recycling** as well as innovative business models, such as resource recovery – producing secondary raw materials from waste –, **can benefit greatly from digitally-enabled solutions.** They have the potential to help the EU solve its own waste problems.
  - Improving waste collection: waste collection can be made more efficient with real-time, **waste-monitoring sensors**, e.g. infrared recognition of components for automated sorting and ensuring quality of secondary raw materials.
  - Providing **digital twins** of recycling sites and recycling processes.

[redacted]

[redacted]

Main messages

- The Commission is aware of the negative effects the COVID-19 crisis, the Russian invasion of Ukraine, and the current energy crisis, have on European Industries.
- The Commission follows with great concern the **strong price increase** of wood and wood-based products.
- Despite the outlined concerns, the Commission is confident that the forest-based Industries continue to be a sector of a high value creation potential.
- The Commission recognises in its observations of the market and in its discussions with stakeholders that the **supply side for biomaterials is already well organised**.
- The Commission's ambition is to implement the **cascading use principle** as reflected in the Commission's proposal to revise the Renewable Energy Directive: **biomass should be used according to its highest economic and environmental added value**. Currently, around **30 percent of wood residues are burned**.
- The cascading use of biomass **increases the availability of renewable materials**, which can substitute fossil-based products.

[redacted]

Main messages

- The increased use of **feedstock of European origin** will contribute to **shortening relevant value chains**, including those based on forestry, and lead to improved strategic autonomy on resources.
- In its new **EU Forest Strategy for 2030**, the Commission advocates for increased resilience of forests as well as large-scale afforestation action with species adopted to the changing climatic conditions.

- The changing species composition in Central and Northern Europe will result in lower availability of softwood timber for processing.
- The Commission **financially supports the advancement of technology and innovation** through **Horizon Europe**, the EU's research and innovation programme.
- Another noteworthy initiative under Horizon Europe is the **circular bio-based Europe Joint Undertaking**: a **EUR 2 billion** public-private partnership between the EU and the bio-based industries that funds projects advancing competitive circular bio-based industrial solutions.
- The industry will have to develop products produced from broadleaf tree species such as beech, for example for construction timber products.
- **The Circular Economy Action Plan** adopted by the Commission will boost growth, while making sure that the European economy transitions to carbon-neutrality and resource-efficiency.
- The plan aims to **ensure that used resources stay in the EU economy as long as possible.**

[redacted]

Main messages

- As announced in the **European data strategy** (2020), Europe is following an open but **assertive approach** regarding international data flows.
- The Commission is committed to facilitating data flows. International data flows are indispensable for the flourishment of the European and global data economy, a reason why **the EU will remain open to all actors that comply with European rules and values.** We firmly believe that because such data flows are so important, they should enjoy high levels of protection.
- Our legislative and non-legislative proposals aim to develop a trusted, secure, sustainable and interoperable data sharing ecosystem, including with our international partners.
- As part of the strategy, we are combining ground-breaking data **legislation**, such as the recently adopted **Data Governance Act** and the proposed **Data Act**, with **funding** to develop the common **European data spaces**.
- The Data Governance Act establishes the **European Data Innovation Board**. The Board will play a fundamental role in the development of the European data economy. The Board will issue guidance, and advise and assist the Commission, to identify priorities and facilitate the emergence of **standards and practices that foster data sharing, within and across sectors and borders.**
- The Data Act increases Europe's attractiveness as a place to handle data. It puts in place **clear rules on data access and use**, as well as conditions to improve **interoperability of data, data spaces, and data sharing technologies**.
- The Data Act's **provisions on switching** will facilitate cloud users to switch to new providers, where they can benefit from continuity of service because of the new open standards on interoperability, which the Data Act is incentivising.
- Most importantly, the Data Act establishes that **data interoperability standards shall be fully open and publicly accessible.** This means that the international business community can seamlessly connect to the work on developing interoperability standards, and that these standards could become *de-facto* international standards.
- This approach **depends on the self-organisation of industry** (although the Commission would have the mandate to request standardisation bodies to draft certain standards in a specific area) and is not formalised in international/trade dialogues. **In formal international dialogues, data flows are on the table at a more generic level**, without specifying clauses on data interoperability.
- With the Data Act, in case a **lack of relevant standards is identified** or where such lack is not solved in a timely manner through the usual process, **the Commission will be able to step in** to improve sectoral or inter-sectoral interoperability.

[redacted]

Main messages

- **Digital skills are one of the main and crucial targets of the European Digital decade transformation.** They are essential to strengthen our collective resilience as a society. **Broad-based digital skills** should also build a society that can trust digital products and online services, identify disinformation and fraud attempts, protect itself against cyberattacks, scams and fraud online, and in which children learn how to understand and navigate through the myriad of information they are exposed to online.
- Advanced digital skills require more than mastering coding or having a basis of computing sciences. Digital training and education should support a workforce in which people can **acquire specialised digital skills** to get quality jobs and rewarding careers for key areas, such as cybersecurity or data analysis. **Companies have a crucial role to play** in this upskilling effort, whether by identifying needs or providing training themselves, where appropriate in collaboration with other stakeholders.
- More than 70 % of businesses report a lack of staff with adequate digital skills as an obstacle to investment. There is also a serious gender imbalance, with women representing only one in five ICT specialists.
- Our objective as Europeans is to offer the opportunity to the greatest number to be confident when being online and therefore, **we set the target of at least 80% of the European population with basic digital skills by 2030 and 20 million ICT specialists employed by 2030.** The latest edition of the Digital Economy and Society Index shows that only 54% of the European adult population has basic digital skills and there are also significant discrepancies between the different European Member States. In 2021, about 9 million people worked as ICT specialists in the EU.
- This is far from the ambition and **there is a significant gap to fill in all EU Member States.** We believe that only collectively we can fill this gap. The **Structured Dialogue** with Member States on digital education and skills, under my patronage and involving six EU Commissioners aims to map ongoing efforts in the Member States, identify gaps - if any - and join forces at EU level. This will be done combining the expertise of the different Commissioners and their services to **address the challenge on all fronts**, to give digital education and skills the horizontal perspective they deserve.
- The process will also include recommendation on **some actions for Member States and others to be taken at EU level.** The definition of these actions will build on the outcome of the 27 dialogues with the Member States and on the stakeholder consultation.

- Given the importance of skills, the Commission also announced that **2023 will be the European Year of Skills.** It will be an opportunity to reiterate the need for upskilling and reskilling.
- National authorities are not new to the digital skills challenge and many initiatives are already in place at Member State level. As part of the **Recovery and Resilience Facility** more than **EUR 25 billion of investments have been devoted by Member States to digital education and skills.**

[redacted]

Main messages

- AI has enormous potential across the economy, but for much of this potential to be realised, **citizens need to accept AI**. They will not do so if they have the impression that as soon as AI comes into play, their **normal rights vanish into thin air**. Protecting consumers' rights and, more generally, fundamental rights and safety is thus not only a goal in itself, it is also an **indispensable ingredient for the success of AI**. This realisation has driven first the EU, but increasingly also other countries, to address these issues already now, rather than to wait for major problems to develop.
- Nevertheless, **such regulation should not forestall the development of the technology.** That's why the European regulatory approach focuses on the **limited number of "high-risk" application**s where safety or fundamental rights of individuals are at stake. The applications are listed in the AI Act in an exhaustive manner, i.e. everything that is not specifically identified as a "high-risk" AI application does not fall within the scope of the regulation. In this manner, **the vast majority of applications can not only be developed without additional procedures, but also in complete legal certainty.**
- As far as the **small number of "high-risk" AI applications** is concerned, the AI Act provides for **light requirements**. These requirements are to a large extent normally met by the producers; for example the product should be accurate, robust and cybersecure. Therefore, it is expected that even for those cases **no significant additional burden will arise.**
- At the same time, one has to realise that the **technology is developing very rapidly** indeed. For this reason, we have introduced an **accelerated revision mechanism** for the list of high-risk applications, allowing the legislators to **react swiftly** to emerging phenomena rather than trying to unnecessarily prevent technological progress.
- The Commission's proposal also includes **measures in support to industry and innovation** (like the regulatory sandboxes) to facilitate compliance.
- Finally, I would like to mention the publication of the **Coordinated Plan on AI**, which details actions to be taken by the Commission and the Member States to support the uptake of AI.

[redacted]

Main messages

- The EU pursues an agenda of **open strategic autonomy**.
- Sovereignty in strategic areas means that the EU must be able to define its own rules, make autonomous technological choices, and develop and deploy strategic digital infrastructures. **The EU will remain open to all businesses that comply with European rules and standards.**
- Specifically for data, the **2020 European data strategy** presents data governance "in the European way", i.e. which will guarantee that individuals and companies keep control over their data, thus guaranteeing an increased level of data sovereignty in Europe.
- We are at a **pivotal moment for the data economy**. We need to act fast to ensure that Europe (and not our competitors) benefits from the vast troves of, in particular, industrial data.
- Thanks to the European data strategy, more data will be available for the EU economy and society, while **individuals and businesses will retain full control** over the data they generate.
- The EU has the technology, the know-how and a highly skilled workforce to create data spaces where businesses – **both EU and non-EU – have easy access** to an almost infinite amount of high-quality personal and non-personal data, **boosting growth and creating value developing new AI services and products.**
- We want to **keep our market as open as possible**, while being vigilant to protect and secure the data of EU citizens and businesses.
- Similarly, we are upgrading our capabilities in the **semiconductor value chain without protectionism**: investments from international players are explicitly welcome
- Ultimately, **this open and assertive approach raises trust in the digital economy and contributes to making Europe the most attractive place in the world to store and process data.**

[redacted]

[redacted]

[*Extremely high electricity prices driven by high gas prices have brought into question the existing wholesale electricity market design. In her State of the Union address President von der Leyen set out that we have to decouple the dominant influence of gas on the price of electricity. This is the main task for the upcoming market reform. EUCO conclusions from 20-21 October invited the Commission to speed up work on the structural reform of the electricity market. The Commission work programme for 2023 foresees a legislative proposal for Q1 2023.*

[redacted] *and other companies offering demand response solutions are concerned that market rules have not removed barriers to their participation, and that the redesign of the market during a crisis could exacerbate this. They consider that the Clean Energy Package should be better implemented and that any redesign should focus on enabling demand response.* [redacted] *are members of* [redacted] *a business association operating in this space, who have become increasingly active and recently published a study suggesting substantial benefits from more demand response in the electricity system. On top of the direct benefits of more than EUR 71 billion for those who switch demand, they see over EUR 300 billion in indirect annual benefits from reductions in energy prices as a whole, generation capacity costs, investment needs for grid infrastructure, system balancing costs, and carbon emissions.*

The Commission fully supports enabling more demand response – and agrees that proper implementation of the Clean Energy Package is vital. The review of the electricity market design will also aim to facilitate demand side participation in the market, where targeted changes to the rules are necessary.]

Main messages

- The **consumer and demand side** in the electricity market design is key.
- **In the short term**, demand reduction has been proposed as a first response to tackle high prices. The Council regulation on an emergency intervention to address high energy prices sets out **a voluntary overall reduction target of 10% of gross electricity consumption and a mandatory reduction target of 5%** of the electricity consumption in peak hours. The main objectives of these measures are to contribute to lowering EU gas consumption and to bring down energy prices.
- **In the long term**, the Commission is working on a **modernisation of the electricity market design**, exploring in particular 3 pillars:
  - How to bring the benefits of lower cost renewables and low carbon technologies to consumers?
  - How to ensure more liquid forward markets and enhance the protection of consumers against excessive price volatility and high prices and excessive risk taking by supplier?
  - How to foster investment incentives into flexibility, grids and firm capacity in view of the full decarbonisation of the electricity sector?
- The review of the electricity Market Design is not a temporary crisis response to decouple gas and electricity prices, but **needs to protect us from future shocks and deliver the wider REPowerEU objectives**.

- **Demand response – which improves the efficiency of the overall system is key** to this.
- **I know that in September, SmartEn** launched a major study carried out with independent consultants **which quantifies the benefits** of demand-side flexibility with very substantial gains from demand response
- **But realising these benefits requires having the right market arrangements in place**. The first step to doing this is fully implementing the Clean Energy Package – and we can use the redesign of the electricity market to make **targeted improvements**.
- **In our Communication of 18 May 2022** "Short-Term Energy Market Interventions and Long Term Improvements to the Electricity Market Design – a course for action", the Commission sets some **first areas of reflection, with in particular a mention of demand response and flexibility.**
- **Accelerating the investments in smart grids, including an accelerated rollout of fit-for-purpose smart meters** would **enable consumers to react to prices** and enable the development of demand side flexibility.
- The **Digitalisation of Energy Action Plan** recently adopted proposed measures to enhance **data exchange and interoperability, and to support the development of digital tools for consumers.** This will make it easier for consumers to valorise their flexibility, for example by responding to price signals or matching their consumption with their home production (e.g. from photo-voltaic panels on their roofs).
- The Commission also proposes to **accelerate the development and adoption of a new network code dedicated to demand response**. Through greater empowerment of consumers, it is also important to promote collective and individual self-consumption schemes as stressed in the EU Solar Strategy to increase the generation of solar power in the EU in the coming years.

[redacted]

Main messages

- The EU budget and NextGenerationEU, notably the **Recovery and Resilience Facility**, will help speeding up the recovery in Europe while reinforcing our commitment and steering investments in support of socially just/fair, green and digital transitions, leaving no one behind. Considering high investment needs and long paybacks periods for new technologies, we have launched a combination of packages (e.g. Horizon Europe), programmes (e.g. Digital Europe Programme), funds (e.g. Climate Innovation Fund), grants (European Innovation Council grants) to increase EU financial support on innovation-related projects covering from the technological research to the deployment of new technologies.
- However for the green and digital transitions, annual investment needs until 2030 for the entire EU economy are estimated to be **EUR 650 billion per year**. While the EU and the Member States help in a number of ways, notably in the development of new technologies but also with respect to investments themselves, **the business community itself will be responsible for the greater part of investments.**
- The Commission is **co-creating with industry**, Member States, stakeholders at local and regional level, **transition pathways** for industrial ecosystems, where **together we identify the investment needs, technology needs, as well as skills and regulatory needs in order to bring about the green and digital transitions**. For example, for some of our problems we need to develop new technology solutions that are quickly deployable and scalable. For others, we need to accelerate technology maturity and scalability.

- The business community can contribute to the green and digital transitions by **taking part in these technological initiatives** and by making the necessary **investments.** Businesses will contribute to and profit from the newly available technologies and will be able to realise **process and product innovations**.
- The green and digital transitions are accompanied by a **drive for greater resilience:** this includes a reduced vulnerability in our supply chains. The business community can contribute to this by **seeking suppliers from different sources** as well as better **recycling** and keeping stocks of **critical supplies.**

[redacted]

Main messages

- **We fully support the objective** behind the proposal of the German authorities to create a "European alliance for transformation technologies". That objective, namely, to significantly increase the production capacities of green energy technologies within the EU, is at the heart of our political mandate.
- However, **we need further work to flesh out the best methods for achieving it.** Our policy toolbox has to be broad, including industrial alliances, but also regulatory measures (permitting; setting ambitious product requirements, notably as part of Ecodesign), trade-defence tools, financing (IPCEIs, EU and national research funding), support for upskilling, standardisation or public procurement.
- We propose to discuss the proposal of the German authorities through existing fora (e.g. as part of the High Level Group on Growth and Competitiveness or the Industrial Forum).

[redacted]

Main messages

- The Commission launched the **Chips Act** proposal in February this year. Pillar 2 focuses on **security of supply of semiconductors in the Union**. The approach aims to attract new investments and enhanced production capacities in semiconductor manufacturing as well as advanced packaging, test and assembly.
- **Investments from international players** are explicitly welcome. The criterion to be eligible for State aid is that the new facility is "first-of-a-kind" and capable of semiconductor manufacturing that is **not yet substantively present in the Union.** This is an open and flexible approach to "first-of-a-kind", which goes **beyond a limited view on node size only.**
- The new element could come for instance from the technology node, the substrate material (e.g. silicon carbide and gallium nitride), or involve other product innovations that can offer better technological performance, process innovation or energy and environmental performance.
- The Commission has also clarified in the Chips Act Communication that **several parallel projects can be recognised as first-of-a-kind**. In such a scenario, it has to be proven that State-supported activities do not crowd out existing or planned activities. Each State aid proposal will be assessed based on its merits to avoid undue distortions of competition.
- However, the Commission will also take a **comprehensive view on necessity**, **to avoid situations of overcapacity**. This approach makes sure that only the first project proposed can receive support, regardless of the expected needs of the European industry for the devices to be produced.
- With this increased flexibility the Commission strives to significantly boost investment activities for chip production facilities in the EU. First **announcements**, e.g. from **Intel** on investments in Germany, France, Spain and Italy and from STMicroelectronics and Globalfoundries on investments in Italy confirm the attractiveness of the EU. I am confident that many more will follow.

[redacted]

Main messages

Growth, innovation, and competitiveness

- Enhancing **resilience**, accelerating the **green and digital transitions**, and strengthening Europe's **open strategic autonomy in critical sectors** were the key pillars of the Commission's New Industrial Strategy and May 2021 update.
- The Commission is co-creating with industry, Member States, stakeholders at local and regional level, **transition pathways for industrial ecosystems**, where together we identify the **investment** needs, **technology** needs, as well as **skills** and **regulatory needs** in order to bring about the green and digital transitions. For example, for some of our problems we need to **develop** new technology solutions that are quickly deployable and scalable. For others, we need to **accelerate** technology maturity and **scalability.**
- The green transition and notably the **decarbonisation of our economy, creates vast opportunities for growth**. Renewable energy, especially electricity generated with wind and photovoltaic technologies, does not merely create new and better ways of energy generation, transmission and storage but also **creates entirely new products and services** exploiting the low energy prices of renewable energy – cheap compared to carbon-based electricity of before the COVID and Ukraine crises and getting cheaper steadily. Innovation opportunities!
- At the same time, the **digital transition creates new products and services**, new business processes by virtue of connecting more enterprises, connecting more people and of course Moore's law[2], especially in a **barrier-free and well-regulated Single Market.**
- A **rapid green and digital transition will keep EU industry competitive**. The green transition, especially reaching the **fit-for-55 goals**, will mean abundant and cheap renewable energy. This will make energy intensive producers compete effectively – note that the **cheapest renewables, solar and wind, are cheaper than nuclear electricity and much cheaper than carbon-based energy, also in pre-2022 prices**. Similarly, the digital transition will mean that our companies can be as innovative and as efficient as their global competitors.

We aim for Open Strategic Autonomy:

- Our policies with respect to **critical raw materials, chips and other dependencies** will be addressed in the context of Open Strategic Autonomy:
- **Open to trade and investment** for the EU economy to recover from the crisis and remain competitive and connected to the world
- Sustainable and responsible to lead internationally to shape a greener and fairer world, **reinforcing existing alliances and engaging with a range of partners**.
- **Assertive against unfair and coercive practices** and ready to enforce its rights, while always favouring international cooperation to solve global problems.

[2] the principle that the speed and capability of computers can be expected to double every two years

[redacted]

Main messages

- The **telecom sector** is undergoing the largest **technological and structural evolution** since the liberalisation of the market in the late 1980's.
- **Increasing societal importance**: Connectivity has become a critical infrastructure which is indispensable not only to ensure EU competitiveness but also for the mere day-to-day functioning of virtually all parts of our economy and society.
- **Technological inflexion point**: Connectivity players are fundamentally reorganising assets as a result of network softwarisation and the generalisation of cloud computing, in particular by separating hardware and software assets in the context of the deployment of 5G and fibre infrastructures.
- This is both a period of **uncertainty** as well as a period of **opportunity** for Europe.
- Against this background, the new Policy Programme "**Path to the Digital decade**" has fully embraced the **transformational role of 5G as a key enabler to delivering EU competitiveness & future resilience**. With this programme, the EU has got, for the first time ever, a truly common policy cooperation mechanism to achieve **common targets for the deployment of connectivity infrastructures (by 2030).** This will dramatically improve cohesion as well as Europe's capability to roll-out digital services throughout the single market.
- In this context, **we need to mobilise all possible sources of investment**. The **upcoming consultation** on the future internet and connectivity ecosystem is an important step to better understand the **future investment dynamics** resulting from the current market developments. This is a prerequisite to enable the Commission to make a **possible future proposal** to further improve the effectiveness of EU policies in terms of **incentivising infrastructure investment** while preserving the benefits of competition. This will certainly be a **delicate balancing exercise** but we are willing to start addressing this challenge still during this Commission mandate.

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