

Deciphering the European institutions

**European priorities in the context of the new
institutional architecture:**

Which political direction for Europe?

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Introduction

Lasting changes are often the result of small evolutions. The last few months following the entry into force of the Lisbon Treaty and the establishment of the new European institutions have left a profound mark on both the mechanisms and the balance of power within the institutional triangle. This paper offers an in-depth analysis of the ongoing developments and major policy priorities announced by the European Commission, which presented its work programme in late March after having published its UE2020 strategy on March 3rd.

The new face of the institutional triangle

Signs of a return of an intergovernmental Europe are emerging, as recent developments in Greece have shown. These are being materialised mainly by the resurgence of the European Council, whose meetings are becoming increasingly frequent on the one hand, and of major importance in defining the priorities of the EU on the other. The European Council's scope for action is no longer limited to directing policy; it also sets the tone of European politics. Long gone by are the days when the European Council's conclusions were in fact only generalities. The conclusions of 25 and 26 March bring to light both the priorities and limitations of Europe. The fact that European leaders are committed to Europe is good news, what is more disturbing is the lack of transparency in the decisions and tradeoffs made behind closed doors. The image below summarizes the key elements of these conclusions:

This new political impetus is a revolution that ensues from the Lisbon Treaty, whose authors wanted Europe to recover its political ability to conduct ambitious policies. Previously, the EU was characterised by a bottom-up approach with greater vertical authority for the Presidency of the Council and even the European Commission. Today, the opposite is occurring with the predominance of the European Council, which should further grow in the years to come.

Could a Commission with major political projects assert itself against this new political force? The answer is yes. But it is not in tune with the times and the new Commissioners may lack a political vision or a unifying project. In any case their hearings have not made a lasting impression, nor have they brought about a fresh approach so badly needed after months of waiting.

The continuous focus on economic issues is also revelatory. The ECOFIN Council – Economic and Financial Affairs – composed of the Finance and Economy ministers of the Member States as well as of competent budget ministers, plays a

predominant role compared to other Council formations. It is therefore not surprising that in such a context one of the first initiatives of the new EU president was to convene on February 11 a special summit on economic policy. In addition, President Barroso's new flagship strategy UE2020 is presented as an 'economic strategy for Europe', not a social or societal one.

This period is also marked by the investiture of the new European Council President, Mr. Van Rompuy, with whom the rotating Spanish presidency is learning to cohabitate.

The freedom enjoyed by Member States in the six-month

rotating presidency system has turned out to decline for the sake of consistency in EU policies. Today, even if the tune is

still played by the rotating presidency, it is now called by Mr. Van Rompuy. In a subtle way, the former Belgian prime minister has left his imprint on how the EU will work. He has asserted himself on the European political scene: tours the capital cities of Europe and is keen to communicate. For instance, the homepage of the website of the European Council, of which he is the head, comprises a whole range of links such as his video blog and his personal calendar. This intellectual philosopher, known for his political know-how, will have a lasting and crucial impact on the very functioning of the EU in his own way, without controversy but with consistency.

The Reflection Group on the Future of Europe, chaired by former Spanish Prime Minister Felipe Gonzalez, will present its report on Europe Day, May 9th.

As a reminder, this group was created by the European Council of December 2007 with a mandate to identify key issues which the EU is likely to face in future and how these can be tackled.

The EU2020 strategy: what political priorities?

This strategy is based on the objective of a triple economic growth: intelligent growth (promoting knowledge, innovation, education and the digital society), sustainable growth (making our production more resource-efficient while boosting our competitiveness) and inclusive growth (increasing participation in the labour market, strengthen skills development and the fight against poverty).

The message is clear, a battle is on and the goal is growth, with the assumption that growth will solve all the problems. In the name of growth, the mobilization of all is required.

The merit of this strategy, which succeeds the unfortunate Lisbon Strategy, is to be focused on specific and quantified objectives:

- 75 % of the population aged 20-64 should be employed.
- 3% of the EU's GDP should be invested in R&D.
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
- 20 million less people should be at risk of poverty.

The work program of the Commission: Policy choices serving a political will?

On March 31st, the Commission presented its work programme for 2010, entitled "The time to act" as if to underline the urgency of proposing a new political project for Europe after months of uncertainty and a tense economic context. This programme consists of a subtle mix of legislative and non legislative initiatives.

Four main axes underpin this strategy:

- Combating the crisis and supporting the social market economy. The crisis is one of the very first words of this strategy, which immediately raises the problem of reduced room for manoeuvre.
- The citizens, placed at the heart of the European project as a response to the innovations of the Lisbon Treaty with an emphasis on social protection, but also social issues
- Foreign policy, with the new external action service and trade policy of the EU as background
- Modern instruments and methods of working with echoing impact studies and the announcement of ex post assessments as well as quality service to smart regulation.

This work programme does not give an exhaustive list of measures but rather sets out the initiatives for 2010, mid-term proposals and finally proposals for simplification and withdrawal.

INTERNAL MARKET AND COMPETITIVENESS

The Commission's strategy aims to address the hurdles faced by Europe as the 20th anniversary of the single market will be celebrated in 2012. The Commission announces for the second half of 2010 a Communication to revive the internal market, echoing the work commissioned by Barroso to Mario Monti. A White Paper is announced for 2012 with concrete initiatives.

The transposition of the Directive on services into the internal market is a priority. A communication and a report will analyze the situation, including the mutual recognition process.

Services of general interest (SGI) will be treated in a communication on a quality framework for SGIs, on the basis of the Protocol annexed to the Treaty of Lisbon.

The Commission will also undertake a revision the package of 2005 on state aid to SIGs, which will end in November 2011. The aim will be to adapt the rules after the evaluation report to be published in 2010 following public consultation.

The Commission also announces a legislative initiative on a framework for managing and resolving crises following the Communication to be launched in 2010.

As regards consumer policy, the Commission will bring up the issue of the consumers collective redress and will conduct a public consultation on the common legal principles and practical aspects which should inspire legislation on the subject. It will also make a recommendation for a harmonized methodology for classifying and collecting consumer complaints.

The Commission has also announced a Communication on corporate social responsibility that aims to restore confidence among citizens.

The Commission is also considering a communication on the future strategy on VAT, followed by a Green Paper and a proposal for a minimum VAT rate applicable from 2011. It has announced a paper entitled "citizens first" dealing with taxation.

External policy will be dealt with in a Communication aiming to define a business strategy for Europe in 2020. This strategy will cover in particular the conclusion of the ongoing bilateral and multilateral trade negotiations, the strengthening of the implementation of existing agreements, the development of initiatives with a view to opening markets to the industries of the future, such as high-technology products and services, environmental technologies and services, and international standardisation.

BUDGET

The Commission's strategy could not do without a reflection on the budget. A review of the 2007-2013 budget will be completed in the third quarter of 2010 in connection with the priorities established in the EU2020 strategy, preparing discussions on the future financial framework. Several consultations will also be launched in 2010 to identify key policy priorities to be financed by the next budget.

The proposal for a budget focusing on the next financial prospects will be released in 2011 with a document setting out the budgetary priorities for the next programming period.

TELECOMMUNICATIONS

A communication on the European Digital Agenda will be presented in the 2nd half of 2010 and will identify the priorities for accelerating the deployment of broadband Internet and exploiting the opportunities brought by digital technologies. This paper will identify concrete measures to be undertaken with regard to broadband Internet, completing an online internal market without borders for merchandises, contents and goods.

This Agenda will prepare a future Directive on the management of collective rights.

In the medium term, the Commission also plans to present:

- A Communication for a strategy on broadband internet and broadband services to reach a coverage rate of 100% and increase investment in next generation access modes.
- A recommendation on next generation access modes aiming to provide guidance to national regulatory authorities to ensure continuity on the European market.
- A program to redefine the guidelines of policy in terms of spectrum
- A Communication on the future of universal service and users' rights that will follow on from the consultation launched in early 2010 and assess the need to review the directive on universal service
- The regulation on ENISA after expiry of the present regulation in March 2012
- A report on the inventory of roaming services by 30 June 2011 to assess whether objectives have been achieved
- A Communication on the protection of critical information infrastructures, introducing guidelines for international cooperation as regards the Internet.

ENERGY

Energy remains a priority of the Commission, in accordance with the latest European Council in which the Heads of State indicated that energy was a priority for the EU and at the heart of Europe 2020. The European Council has explicitly concluded that in early 2011, energy policy will be discussed, including how it can best support the transition towards an efficient and low carbon economy, as well as security of supply. The new work programme of the Commission reflects this priority with a number of important proposals

The Energy Infrastructure Package scheduled for the end of 2010 contains:

- A Communication on Energy Infrastructure Development for the 2020/30 horizon: the Communication will focus on investment needs, based on supply and demand scenarios, the 10-year network plans of the European Network of Transmission System Operators (ENTSO) and on

priorities for infrastructure development and funding. Furthermore, it will look at measures aiming at diversifying gas supply sources and routes as well as at future infrastructure needs, e.g. for oil or CO₂.

- A staff working paper on energy infrastructure: the staff working paper will evaluate the six priority infrastructure actions announced in the 2nd Strategic Energy Review, including Mediterranean gas and electricity interconnection.

- A Communication on the preparation of a blue print for offshore grids in the Northern Seas of Europe: the Communication on offshore grids will present a vision for 2020 and 2030 as well as identify key regulatory issues to address in order to enable more integrated grid solutions to be developed in the longer term.

- A report on the state of play of smart grids: The report on smart grids will present developments in this field leading to a possible legislative proposal in 2011.

Other initiatives:

- A Proposal on transparency and integrity of wholesale market trading. The proposal addresses the transparency and integrity of European traded energy markets. It will establish proper market conduct rules and a regulatory framework for monitoring and surveillance of these markets. It will cover as a minimum electricity and gas and potentially carbon
- A Roadmap for low carbon energy system by 2050. The communication will identify the required steps to attain the ambition of a low carbon energy system by 2050.
- The revision of Energy Taxation Directive : the revised Directive will complement the European Emissions Trading System and tax energy products based on their energy content and CO₂ performance
- The Energy Action Plan 2011-2020 Provide a holistic strategy document laying out the priority action points for 2011-2020
- A Communication on implementing the biofuel sustainability scheme: The Communication will guide Member States and economic operators on how to implement the sustainability criteria. It will also endorse 'voluntary schemes' and update/add 'default values' related to the sustainability scheme.
- A Communication on Regional Initiatives: The Communication will guide Member States, Regulators and stakeholders on the Regional

Initiatives. It will propose how to further achieve progress within the Regional Initiatives, as a stepping stone towards the internal energy market. The Communication will make proposals as to the best practices of the Regional Initiatives.

- Legislative proposal for a regulatory framework on smart grids: This regulatory framework will address the various issues linked with the establishment of smart grids, incl. data protection, electric vehicles and open access to the grids.
- A proposal revising the nuclear waste Directive: The proposal will establish a common European framework aiming at achieving and maintaining a high level of safe management of radioactive waste and spent fuel throughout the Union. This framework could be based on internationally accepted safety principles and require MS to establish dedicated national programmes with implementation calendars

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

On this theme, the Commission suggests a number of measures, but in its Annex II, it does not make of this topic a priority for 2010.

The Commission plans to publish:

- A Communication on the analysis of practical policies required to implement a 30% EU emission reduction and assessment of situation
- A Communication on roadmap for lowcarbon economy by 2050, also with a view to determining the necessary scenarios for 2030
- A Proposal for a revision of existing legislation to integrate mitigation and adaptation As a follow up to the Communication on Adaptation, specific proposals to integrate climate change mitigation and adaptation in the different policies and programmes.
- A Review of antitrust policy towards horizontal agreements: the review of two regulations (R&D agreements and specialisation agreements).

For the 4th quarter of 2010, the Commission plans to present a Communication on a new post-2010 EU biodiversity policy and strategy.

A modification of the environmental guidelines with respect to the EU emission trading system after 2013 is also envisaged by the Commission.

The Commission is taking into account a review of the list of priority substances under the **Water Framework Directive**: the Water Framework Directive requires the Commission to review the list of priority substances every 4 years and the deadline for the next proposal is January 2011.

The Commission also plans to present a **Directive on Water Efficiency of Buildings**: The roadmap will set out a coherent framework of policies and actions in a variety of policy areas, required for the shift towards a resource efficient and low-carbon economy that is efficient in the way it uses material and natural resources. The aim is to increase resource productivity and decouple economic growth from resource and energy use, enhance competitiveness and promote greater energy security and resource independence of the EU by 2020.

A communication will set out the key challenges with regard to access to **raw materials** as well the crucial role that raw materials will play after the crisis in order to ensure a sustainable development of the EU economy in the long term and therefore its contribution to the EU 2020. The communication will include key strategic issues such as the definition of critical raw materials, policy actions to fight export restrictions applied by third countries, how to better integrate the raw materials dimension into the EU development policy and actions to promote research and substitution inside the EU.

A communication on the **sustainable competitiveness of the EU construction sector** will focus on four strategic objectives aimed at enhancing the competitiveness of the sector: (a) a coherent quality policy for the sector; (b) an improved regulatory environment, in particular for public procurement, competition, registration and qualification systems, health & safety and payment delays; (c) better provision of education and training ; (d) strengthening of research, innovation and knowledge deployment.

The Council Directive 98/83/EC on **the quality of water intended for human consumption** is mentioned in annex 3 of the Commission's programme.

The revision of Regulation (EC) No 2150/2002 on **waste statistics** aims at simplifying the Regulation and aligning it with other reporting obligations in Community waste legislation.

TRANSPORTS

A white paper on transport will outline a strategy and an action plan for transport policy and transport infrastructures over the next

decade. The aim is to achieve transport sustainability, which requires actions to remove bottlenecks to competitiveness, progress towards a transport system less dependent on fossil fuels and improvements in safety, security and working conditions.

Sustainable transport package:

- **Revising the TEN-T guidelines**: the legislative proposal revising the current TEN-T guidelines shall focus on a core network that promises the highest degree of contribution to the key objectives of the TEN-T policy. It will be accompanied by a report discussing the progress of the TEN-T priority projects and TEN-T policy.

Concerning **the road transport**, the Commission will launch a communication: Towards a European road safety area - strategic guidelines for road safety up to 2020. The strategic guidelines will describe actions addressing road safety in an integrated way (drivers' behaviour, vehicles and infrastructures safety) and across various policy areas (transport, public health, research, new technologies, external dimension of road safety).

A communication on green vehicles is also announced among the priorities of the Commission. The proposal will set out a comprehensive strategy for clean and energy efficient vehicles that will maximise the decarbonisation potential in road transport (in the 2020 perspective).

In the sector of air transport, a report on **security scanners** at airports is scheduled by the middle of 2010: the report will assess the implications of security scanners with regard to their efficiency but also with regard to health risks, violation of fundamental rights and privacy.

A communication on passenger rights is foreseen for September 2010. The Communication will take stock of the situation of passenger rights in all modes of transport, incorporating results of public consultations, will assess whether application of current EU rules ensures adequate protection of passenger rights and will identify possible areas for further action.

A package on a Social Maritime Agenda is also envisaged by the Commission for the 2nd semester 2010.

As for the **railway transport**, the Commission plans **the recast of the First Railway package**. The recast will clarify existing provisions in the first railway package to increase precision and/or guidance for implementation.

CONCESSIONS AND PUBLIC PROCUREMENT

Not included in the priorities list of the Commission, the issue is still on the Commission's agenda for the next years with several initiatives, among which:

- An initiative on concessions: the aim of the initiative is to provide legal clarity and certainty as to the rules governing award of concession contracts.
- A communication on public procurement with focus on how to underpin 'Europe 2020' priorities: innovation, low carbon investment, social affairs, energy efficiency, etc. The Communication will explain to contracting authorities what they are required to do (legally binding provisions) and what they are allowed to do under the current legal framework.
- A white paper on e-procurement: the White Paper will draw conclusions following the consultations on the basis of a Green Paper on e-procurement in 2010.

INDUSTRIAL POLICY

A Communication on "An Industrial Policy for the Globalised Era" is scheduled for the second semester of 2010.

The Communication will translate the overall objectives of enhancing industrial competitiveness whilst pursuing a low-carbon path into concrete initiatives at EU level; it will define a framework with stakeholders to steer the restructuring of sectors towards future oriented activities combining instruments such as smart regulation, public procurement, competition rules and standards, as well as work with social partners to deal with the anticipation and management of change, and the social consequences of restructuring.

The Commission wished to publish a **communication on midterm review of Small Business Act** for Europe: after two years of implementation, it is necessary to take stock of the progress achieved in the Member States and by the Commission and conduct reflection on possible new actions to be proposed in the light of economic and social developments and future challenges.

A legislative proposal on **access to Public Regulated Services of Galileo** is also mentioned in the political programme of the Commission.

RESEARCH AND INNOVATION

The Commission announced the launch for the 3rd quarter of 2010 of a communication on a European Plan for Research and Innovation (3rd quarter) : the European Plan for Research and Innovation will propose an indicator to track innovation, as announced in the Europe 2020 Communication. It will also specify a policy framework for developing European Research and Innovation Partnerships, developing underpinning technologies, optimising framework conditions for research and innovation, strengthening, simplifying and further developing the scope of EU instruments to support research and innovation.

A proposal for a decision establishing the Competitiveness and Innovation Framework Programme 2014 - 2020 (CIP II) will have as main policy objectives the improvement of competitiveness and sustainable growth. In particular, it will address the following objectives: speeding up the adjustment of industry to structural changes, encouraging an environment favourable to initiative and to the development of enterprises throughout the Union, particularly small and medium-sized ones, encouraging an environment favourable to cooperation between them, and fostering better exploitation of the industrial potential of policies on innovation (including eco-innovation), research and technological development.

A Regulation governing translation requirements for the future EU patent is expected by the 2nd quarter of 2010.

A communication on a more integrated European Standardisation System and a communication on update regulatory review of nanomaterials are also envisaged by the Commission.

NEIGHBOURHOOD POLICY

Legislative proposals on the European Regional Development Fund (ERDF), and Cohesion Fund (CF) are mentioned in the political programme of the Commission: regulations will have to be adapted / replaced in line with the EU priorities and with the objective to adapt the delivery of cohesion policy for the programming period 2014-2020. They will be accompanied by new EU strategic guidelines on cohesion for the period post-2013.

A communication on the **renewed EU Tourism Policy Framework** will also be taken into account by the Commission.

The Commission will also prepare a communication on **"Reinforcing the contribution of Cohesion Policy to the**

sustainable development of the EU's regions and delivering Europe 2020": The Communication will provide policy guidance on how to align Cohesion Policy objectives in the field of sustainable development with the Europe 2020 vision in terms of promoting a more resource efficient, greener and more competitive economy.

FINANCIAL SERVICES, INSURANCE

The Commission wishes to ensure the existence of stable and responsible financial markets to serve the economy. It agrees to put in place by early 2011 the new European monitoring framework so that cross-border financial markets can be properly supervised and systemic risks can be quickly detected.

Proposals relating to banks' equity capital and managers of alternative investment funds should also be adopted before the summer.

These efforts must be accompanied by new proposals aiming to complement the work undertaken in areas such as derivatives markets, short selling and credit default swaps, deposit guarantee schemes, market abuse, effective instruments for crisis management and additional requirements in terms of equity.

The Commission will present a **green paper on corporate governance practices in financial institutions**. The purpose of the Green Paper is to identify weaknesses in corporate governance practices in financial institutions and propose recommendations to remedy them in order to avoid repetition of corporate governance failings in banks and other financial institutions.

A white paper on protection of insurance policy holders / insurance guarantee funds should be launched by the end of 2010. The aim of the White Paper is to maintain and enhance consumer confidence and to prepare the ground for a policy decision on possible future legal proposals.

A communication on options for bank resolution funds should be also presented by the end of 2010. The Paper will set out options for the European Council on the establishment of bank resolution funds as a crisis management tool, in the light of the IMF's presented report in April.

A green paper on pensions is expected for the 2nd quarter of 2010. The aim is to identify challenges, to discuss the responsibilities of Member States and the Union in this domain, and to collect input from a wide range of stakeholders. The Green paper will be broad in scope, and will

look at a range of policy tools. The Green paper will also consider implications more widely including issues linked to insurance, investment (private savings), and housing (equity release).

The Solvency-II implementing measures including remuneration provisions is included in the annex 2 of the programme. The measures will introduce the calculation of the new Solvency II risk sensitive capital requirement as well as the level 2 technical measures, including rules on remuneration.

SOCIAL POLICY

In terms of social priorities, the Commission makes mention of:

- "An agenda for new skills and jobs": This initiative will set out priorities to modernise labour markets to boost labour mobility and the development of skills and competences throughout the lifecycle with a view to increase labour participation and better match supply and demand.

- "A European Platform to combat poverty" : This initiative will set out how to ensure that the benefits of growth and jobs are widely shared so that people experiencing poverty can be enabled to take an active part in society. The initiative will notably build on the lessons of the 2010 European Year to combat poverty and social exclusion.

- **A Citizenship Report** including analysis and remedies for obstacles to free movement for the 4th quarter. Article 25 TFEU invites the European Commission to produce a Report every three years on the application of Citizenship Rights. On this basis, proposals to 'strengthen or add' to these rights can be made. The citizenship report will also report on obstacles for citizens when trying to source goods and services across borders and propose how they can best be removed.

- Issues of matrimonial property rights, and mutual recognition particularly in divorce cases will be addressed.

A communication on a Gender Equality Strategy (2010-2015) and a communication on an EU disability strategy 2010-2020 are also envisaged by the Commission.

HEALTH

In the health sector, the Commission will focus in the field of animal health. Some initiatives are of note in the medical device industry and pandemic

influenza. The Commission will also review the clinical trials directive.

The agenda indicates also the intention of a review of the Directive on veterinary medicinal products: The Objective is to improve consumer safety and animal health protection and the competitiveness of the veterinary industry.

In addition:

- A review of Regulation 882/2004 on official controls along the food chain: A review is on-going with reference to the rules, on the financing of official controls ("inspection fees").
- A package on agricultural product quality policy
- **A revision of the Directive relating to transparency of measures regulating the pricing of medicinal products for human use** and their inclusion in the scope of national health insurance systems. The foreseen review will examine ways to adapt the requirements of the directive in order to improve the functioning of the internal market for medicines, taking into consideration the development of national pricing and reimbursement policies.

EDUCATION

The Commission will present **a communication "Youth on the move"** This initiative will set out priorities to enhance the performance of

education systems, to reinforce the attractiveness of Europe's higher education system and to open more mobility programmes to young people. The younger generation has been particularly hit by the crisis.

A communication on "youth employment" (will be a policy response to increase job opportunities for young people, promote apprenticeships and training, and improve transition from education into work.

Other initiatives:

- Communication on a new impetus for European Vocational Education and Training cooperation: 2010 – 2020

- Proposal of the Commission for a Council Recommendation on Early School Leaving: Early school leaving is one of the key targets under Europe 2020 strategy. The Recommendation would provide Member States with a "policy toolbox" which could be used to tackle the issue and accelerate the rate of improvement in the EU.

- A proposal for benchmarks on mobility and on employability : The Commission has been requested to make proposals for new European benchmarks in the fields of mobility and employability relating to how well different parts and levels of education and training prepare people for the labour market.



If this non-exhaustive summary of future European policies raised your interest and you would like further information

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