

FIT FOR 55 WILL IMPACT CONSUMERS AND BUSINESSES, TRANSITION NEEDS TO BE INCLUSIVE

On 14th July, the European Commission presented the Fit for 55 package that will contribute to meeting the Member States' commitment to achieve the target of a 55% reduction in emissions by 2030 compared to 1990 levels. The impact of the package on the Czech economy and businesses was discussed by representatives of the European Commission, European Parliament, Czech public administration, businesses and civil society during an online debate co-organized by CEBRE. As mentioned by Radoš Horáček from DG Energy, the green transformation is a growth strategy that has a potential to significantly increase energy efficiency, especially when it comes to buildings. As for renewable energy sources, every Member State needs to reflect on its strengths and focus on those sources that are available. One of the main priorities of the Commission is inclusive energy transformation with a strong accent on its social aspect. According to Member of the European Parliament Evžen Tošenovský, it is necessary to accept the fact that energy will be more expensive in the future. As the potential for using renewable energy sources in the Czech Republic

is limited by various factors, the main focus should be on investment in new technologies that would reflect this fact, especially when it comes to energy storage solutions. Tomáš Smejkal from the Ministry of Industry and Trade highlighted, that legislative changes in the area of energy policy are happening very quickly which creates pressure on Member States. He stressed that sometimes the goals of various legislative proposals are contradictory and the EU should prioritise those which are most important. Zuzana Krejčířiková from ČEZ Group informed that the company strongly supports both renewable energy sources and energy savings; however, it is clear that the package will have an influence on companies and consumers. Therefore, significant financial support from the EU is needed for the transformation to happen, because the costs will be very high. Jan Rovenský from Greenpeace said that the green transformation is happening worldwide and it is clear that this trend is not temporary. We can see that the industry is embracing this fact and is quite progressive, but the transformation must be backed by strategic concepts from the Czech government as well.

News FLASH

>NEW CZECH GOVERNMENT TO START ITS MANDATE SOON

The newly elected Czech government formed after October parliamentary elections is about to start its mandate soon. It will be formed by a coalition consisting of two alliances – SPOLU alliance (democratic, people's and conservative party) and PirSTAN alliance (pirates and mayors and independents).

>EU NEEDS SUPPORT IN ACTIONS AGAINST CLIMATE CHANGE, URGES CZECH PM

During the COP26 conference in Glasgow, Czech Prime Minister Andrej Babiš stressed the need to involve all the major world polluters in global climate talks and actions. As the EU is emitting only 9% of global emissions, other big players need to join this endeavour as well.

>CZECHIA AND FRANCE TO SUPPORT NUCLEAR POWER

The Czech Republic, France and other EU countries formed a coalition to support the use of nuclear power in the EU. Supporters of this alliance see nuclear power as an energy source that is necessary for the transition to carbon neutral society and call for inclusion of this energy source into the EU taxonomy rules.

MEP CORNER



"The green transition will cost a lot of money and it won't happen unless we invest massively in new technologies. The Czech Republic needs to make use of all the available EU funds dedicated to the transition, including Horizon Europe, and avoid negative impacts of the transition on businesses and consumers."

Evžen Tošenovský,
Member of the ITRE Committee of the European Parliament

EUROPEAN BUSINESSES POSITIVE ABOUT FUTURE, BUT SUPPORTIVE POLICIES ARE NEEDED

After an extremely challenging 2020 that was heavily influenced by the COVID-19 pandemic, the European economy is back on track to grow this year. The continuous removal of restrictive measures supported by the rollout of vaccines in the EU is also creating optimism among European businesses. However, there are still several economic trends that could significantly jeopardize the situation in the EU. According to BusinessEurope's Autumn Economic Outlook, the European Economy should grow by 4.8% this year and 4.3% next year both in the Euro Area and in the EU27, which means that the economic output should reach pre-crisis levels by the end of 2021. Nevertheless, European businesses are facing difficulties that could potentially harm this

positive trend, in particular; increased energy prices, shortage of raw materials and also lack of a qualified workforce. According to a EUROCHAMBRES survey covering over 52 000 companies from 26 countries, businesses are optimistic regarding 2022. They expect both domestic sales and export demands to increase, investment to rise and unemployment levels to stabilise. However, the access to raw materials, the huge increase in energy prices, the lack of a qualified workforce and increasing labour costs are the main trends that are limiting the optimistic mood among European companies. Another important impact of the pandemic is the overall change in consumer behaviour. In order to keep the optimistic mood alive, policymakers need to keep

supportive fiscal policies and other support measures in place in the short term, before returning to fiscally sustainable positions backed by the revised EU economic governance framework. Apart from that, inflation needs to be kept at moderate levels, without the risk of creating a damaging wage-price spiral. Furthermore, Member States should focus more intensively on the issue of labour shortage and introduce reforms in the area of education and training that would equip employees with the knowledge and skills needed for the future, especially in the area of green and digital transition.

EU BUSINESSES COMMITTED TO TSD, BUT OVERALL POLICY FRAMEWORK IS NEEDED

At the beginning of 2021, the European Commission published its paper "Trade Policy Review – An Open, Sustainable and Assertive Trade Policy" that focused on the relationship between open trade and sustainability in future EU trade policy. Later in July 2021, the Commission opened a public consultation related to this topic that has recently been finalized. The aim of the consultation was to collect the opinions of all relevant stakeholders regarding how sustainable development aspects in trade agreements should be implemented, enforced, what should be the monitoring mechanisms and also, whether it should be possible to impose sanctions in case those aspects are not respected. European business organizations strongly support an open and sustainable international trade environment. The EU free trade agreements significantly contribute to sustainable development as they include a chapter dedicated specially to this topic, helping to promote trade and investment in green products and services, efficient use of natural resources, but also to improve workers' rights and conditions, among others. European companies are at the forefront of

sustainable trade and free trade agreements enable this business behaviour in other markets and significantly improve conditions by creating a level playing field. In this context, it is crucial to avoid overlapping of the existing and potential new initiatives that the European Commission intends to introduce. The legislative burdens related to international trade must not discourage especially small and medium-sized companies from engaging in international trade. The monitoring of the implementation of sustainable development goals anchored in FTA chapters related to this topic should be made on a cooperative basis, including representatives of businesses, labour organizations and civil society from both signatory parties. Overall, while trade has a significant impact on sustainability, it must not be viewed as the only solution to problems related to sustainability. It needs to be accompanied by other policies that would create a framework for sustainable development. For example, the EU should focus on capacity-building measures in partner countries that would help companies from third countries meet EU standards. When it comes to enforceability of the commitments



in TSD chapters, European businesses believe that the existing dedicated dispute resolution mechanism included in EU FTAs is adequate and fulfils its purpose. Apart from that, the recent appointment of a Chief Trade Enforcement Officer and the establishment of a Single Entry Point for complaints added to the capacity of the EU to enforce trade and sustainable development commitments.

EESC CORNER: PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON FOREIGN SUBSIDIES DISTORTING THE INTERNAL MARKET



On 17 June 2020, the Commission adopted a white paper on foreign subsidies. The white paper identifies a legislative gap in EU state aid rules as regards competition, trade and public procurement, which effectively prevents the EU from taking action when foreign subsidies cause distortions in the internal market, favouring specific concentrations or bidders in public procurement. It also points to the problems linked to the access to EU funding for operators receiving foreign subsidies, which could distort the competition for these funds. To date, no Member State has implemented rules tackling the potential distortion caused by foreign subsidies. As announced in the Commission's work programme for 2020-2021, this proposed regulation sets out detailed rules for a new instrument to address the regulatory gap in EU legislation and ensure a level playing field in the internal market by avoiding unfair competition. The proposal is also mentioned in the Communication on the Trade Policy Review, on ensuring a level playing field. The aim of the proposed legislation is to investigate public procurement and

market behaviour by foreign-subsidised companies that may distort the EU internal market. It provides for mandatory notification of concentrations where the turnover of the company concerned exceeds EUR 500 million and the parties have benefited from more than EUR 50 million in foreign financial contributions in the previous three years, as well as mandatory notification where foreign-subsidised companies take part in public procurement where the contract value is over EUR 250 million. The proposal also aims to enable the Commission to investigate market behaviour, including mergers and acquisitions below these thresholds, by any entity benefiting from foreign subsidies exceeding EUR 5 million for three consecutive years. The proposal shows that the problem is not foreign investment, but the subsidies that facilitate the acquisition of EU companies, affect investment decisions, distort trade in goods and services, affect the behaviour of the beneficiaries and harm competition. Unlike subsidies, for which the Commission has exclusive power to intervene, in the case of foreign investment

this is the remit of the Member States which in any case are always empowered to screen foreign investments on the grounds of security or public order. The EESC considers that it is crucial that the EU and its markets remain open and competitive, deeming this to be key to the proper and balanced functioning of its society and economy, to ensuring a stable footing for businesses. In light of this, the Committee considers that the objective of safeguarding the single market from subsidies which bring about unfair competition must go hand in hand with the goal of having an effective instrument applied consistently to the entire EU, with the smallest possible burden on businesses.



Marie Zvolská,
EESC Member,
Group I – Employers

CEBRE CALENDAR:

- **3rd December** – CEBRE founders' meeting with Czech MEPs (Prague)
- **15th December** – Online debate on Energy package for gas (tbc)

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CEBRE was founded in 2002 by the three most important Czech business organizations – Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.