

FIT FOR 55 WILL HAVE A MAJOR IMPACT ON CZECH BUSINESSES, ITS GOALS MUST BE ACHIEVABLE



In July 2021, the European Commission released the Fit for 55 package, one of the key initiatives of the Green Deal for Europe. The initiatives in the package were the main topic of a meeting of CEBRE founders and Czech MEPs, which took place in Prague on December 3rd. CEBRE founders – the biggest employers' associations in the Czech Republic, agreed with MEPs that the package will have a major impact not only on Czech industry and businesses, but also on all citizens. Representatives of business organisations agreed on the need to take action to combat climate change and in general support the EU's long-term goal of becoming a climate neutral continent. However, these efforts must be in line with the conditions and possibilities of the country concerned. The taxonomy rules will have a major impact on the transition to clean energy sources. In this area, the Czech Republic is fighting for nuclear energy to be recognised as a clean energy source, which is also supported by business organisations. In addition, gas needs to be recognised as an interim solution to enable a gradual reduction in coal-fired power generation. Currently, the EU accounts for around 8% of global greenhouse gas

emissions, so it is essential that the world's largest emitters in particular take on the role of reducing them and that there is no carbon leakage outside the EU. In this context, business organisations welcome the proposal to create a Carbon Border Adjustment Mechanism (CBAM) to prevent carbon leakage. However, it must be in line with World Trade Organisation (WTO) rules. If not, European businesses would be at risk of restrictive measures in third markets. However, the introduction of the mechanism should not affect the free allocation of emission allowances to European industry. Given the huge impact of the package on the competitiveness of Czech companies, CEBRE founders demand a thorough impact assessment to be carried out, not only for the whole EU, but for the Czech Republic alone as well. The EU funds earmarked to finance the green transformation will also play an important role and the Czech Republic must make the most of them. Most importantly, the final version of the package needs to set targets that are achievable. During the meeting, CEBRE founders also expressed their interest in working with all Czech MEPs on these issues in the future.

MERRY CHRISTMAS AND A HAPPY NEW YEAR!

As another challenging year is almost at the end, CEBRE team would like to thank to all partners and colleagues and wish you peaceful holidays and a successful New Year. As the Czech Presidency to the Council of the EU is approaching, CEBRE will strive, as it always has, for being a reliable partner for all the relevant stakeholders in Brussels also in 2022. Apart from that, 2022 will mark the 20th anniversary of the foundation of the CEBRE office and the whole team is looking forward to starting the third decade of representing Czech businesses in Brussels next year.



GAS PACKAGE IS NOT AN IMMEDIATE SILVER BULLET FOR HIGH ENERGY PRICES

On 15th December 2021, the European Commission presented a revision of the third energy package for gas, which mainly aims at the Directive on common rules for the internal market in natural gas and the 2009 Regulation on conditions for access to the gas transmission system. The revision should focus, among other things, on the possibilities for expanding gas storage in the EU and security of supply. The gas package was also the main topic of an online debate co-organized by CEBRE on 15th December. The package that the European Commission adopted is a set of legislative proposals to decarbonise the European gas market to promote the deployment of renewable and low-carbon gases, including hydrogen, and ensure energy security. As mentioned by Adéla Tesařová from the European Commission, the proposal also addresses consumer protection in the energy sector. The Commission has built on the EU methane strategy and

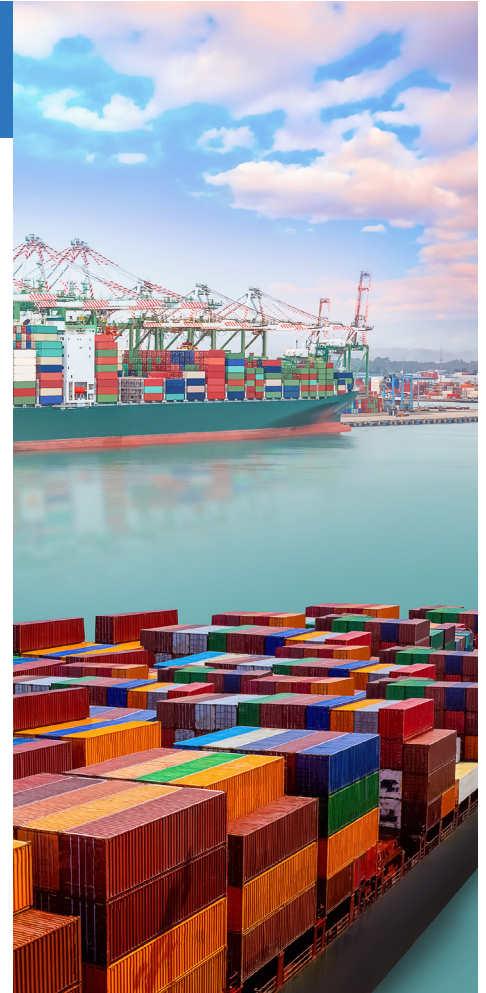
its international commitments with proposals to reduce methane emissions in the energy sector in Europe and the global supply chain. The proposal is one of a series of initiatives to adapt to the new 55% greenhouse gas reduction target by 2030 and to pave the way for a climate neutral Europe by 2050. According to Jan Zaplatilek from the Ministry of Industry and Trade of the Czech Republic, the timing of the package is unfortunate, as the EU is tapering off a dramatic rise in energy prices linked to the rise in gas prices. This is negatively impacting households as well as businesses. The dramatic increase in prices is explained by the fact that prices have been falling in recent years and have been at historic lows, especially in 2020, when demand for gas fell significantly due to the pandemic. Following a number of circumstances, gas prices began to rise slowly in July this year and the price spike peaked from September. The package must not be seen

as an immediate response to price rises, but as a medium- and long-term strategy for the gas sector on its journey towards decarbonisation, said Lenka Kovačová from the Czech Gas Association. The strategy opens up space for "other colours" of hydrogen, which is very important for the Czech Republic, and the Czech hydrogen strategy foresees this. The Czech Gas Association welcomes the establishment of a clear framework that defines the conditions for reducing the carbon footprint of the gas sector. As all the speakers mentioned, the topic is very important for the Czech Republic also from the point of view that the main political discussions could happen during the Czech Presidency to the Council of the EU which will take place in the second half of 2022.

WTO REFORM NEEDED TO STABILIZE GLOBAL TRADE ENVIRONMENT

The current international trade environment is a very challenging one and in a world that is seeing the rise of protectionist measures on a global scale, the importance of a well-functioning and rule-based trade environment is essential for businesses to get on the growth track again. Against this background, European business associations were expecting positive outcomes of the 12th World Trade Organization Ministerial Meeting, that was supposed to take place in early December in Geneva. Unfortunately, due to COVID-19 related measures, the meeting was postponed to spring next year. However, as the meeting will be a crucial one, it is equally important to stress the European businesses' priorities and expectations from the meeting. First of all, European businesses call on all the members to be ambitious and advance the WTO reform as much as possible. The WTO needs to have a clear agenda and work plan with a timeline for advancing in the most important areas. One of the main challenges that should be solved as soon as possible is the ongoing crisis of the Appellate Body together with overall reform of the Dispute Settlement Mechanism. The non-functioning of the Appellate Body negatively influences the value of international free trade agreements. Furthermore, the work on the WTO rule book should advance in the area of Joint State-

ment Initiatives. For example, the negotiations of the agreement on e-commerce and agreement on domestic regulation in services will be finalized soon and there will be new impetus for the negotiations regarding investment facilitation for development or in the area of trade and environment. Given the overall impact of the COVID-19 pandemic on international trade, businesses think a Trade and Health Initiative should be launched within the WTO that would showcase how trade can help in the fight against the pandemic and help with global recovery. The initiative should focus especially on eliminating trade and regulatory restrictions in the areas of active ingredients, medicine, vaccines and equipment. This initiative would help significantly to increase the resilience of supply chains that were heavily disrupted during the pandemic and prepare the key stakeholders for possible future crises. Last but not least, businesses call for a conclusion of the agreement on fisheries subsidies that would help to tackle the issue of illegal, unreported and unregulated fishing. Overall, European business hope that the postponed Ministerial Meeting will be able to take place as early in 2022 as possible in order to push the above mentioned and very important agendas in the WTO that would help to stabilize the international trade environment.



EESC CORNER: LESSONS LEARNT FROM THE PANDEMIC



At its plenary session which was held on 8th and 9th December 2021, the European Economic and Social Committee (EESC) adopted the opinion called "Emerging stronger from the pandemic: acting on the early lessons learnt".

In this opinion, the EESC comments on the European Commission's evaluation of the measures taken to fight the pandemic and on the ten lessons learnt. It also proposes specific recommendations not only in the field of health protection, but also in crisis management, social and societal aspects, economy and finance,

society and technology, international relations and democratic standards, all of which are very important.

The EESC emphasizes that the first and main lesson is that we must work together at European level to find common tools not only for health response but also for emergency management and accompanying the transition to a speedy but inclusive and sustainable recovery.

As a member of the Employers' Group and the study group working on this opinion, I advocated for the inclusion of the support for investment in

education, research and innovation, as well as for enhancing international cooperation, better coordination and preserving the Single Market freedoms. I also appreciate the emphasis on the need to take into account the different structures of economies, the situation of businesses and people and challenges such as notorious labour shortages, supply chain bottlenecks and rapidly rising energy prices.

The EESC points out that the institutions' initial responses were not always adequate, partly due to a lack of coordination among Member States. At the same time, the EESC acknowledges the enormous efforts made by the various EU institutions, but also by companies that have done everything in their power to protect their staff and operations and that have risen to the challenge of achieving rapid normalisation in terms of employment and the supply of essential products.

Much remains to be done and the experience from this crisis must be used to improve the EU's response to future crises.



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