

EUROPEAN POLITICAL COMMUNITY MEETS FOR THE FIRST TIME IN PRAGUE



More than forty leaders gathered at Prague Castle in the Czech Republic, on Thursday, October 6, for the first meeting of the European Political Community, which was followed on Friday by an informal summit of the 27 EU countries. At Friday's conference the Prime Minister of the Czech Republic, Fiala, said that the topics discussed included aid to Ukraine and energy prices. He believes there has been a shift and says that "quite taboo" issues within the EU have been opened up for discussion. In particular, he mentioned the decoupling of gas prices from electricity prices and the different treatment of emission allowances. However, the Prime Minister admitted that there were different views on this within the EU.

The European Political Community is a new platform. The Czech Republic is organising its meeting in agreement

with the previous French presidency, whose President Emmanuel Macron initiated the creation of the group to discuss cooperation with non-EU countries. In addition to the EU heads of state, 20 other heads of state, at the level of prime ministers or presidents, also attended the Prague meeting. Among them were British Ex-prime Minister Liz Truss, Turkish President Recep Tayyip Erdogan, and leaders of the Balkan and post-Soviet countries. Russia and Belarus were not invited. As Czech MEP Dita Charanzová said about closer cooperation with countries outside the EU: "This is nothing more than a reflection on how the EU could establish closer cooperation with several countries, be it the UK, Norway or Switzerland, even in this difficult situation where we have a war in Ukraine. Of course, Ukraine or Turkey are also part of this."

7 TASKS FOR THE CZECH GOVERNMENT PRESENTED BY THE CONFEDERATION OF INDUSTRY OF THE CZECH REPUBLIC

The 63rd year of the International Engineering Fair was held in Brno. "At this year's Assembly, we met with the Government at a tough time for many companies. I reminded the Prime Minister and the ministers not to forget the companies in these difficult times. The industry has always nurtured and sustained our country, one of the most industrialised in Europe. Without it, we cannot kick-start our economy again," says Jaroslav Hanák, President of the Confederation of Industry of the Czech Republic (hereinafter referred to as SP CR). Based on companies' current and most pressing problems, SP CR presented seven tasks for the Czech Government.

1. **ENERGY SECURITY AND STABILITY** - The Government must ensure the stability of energy supplies at affordable prices as the basis for a functional national economy. Taking extraordinary measures to reduce electricity and gas prices for companies of all sizes is key at this time.
2. **A DYNAMIC LABOUR MARKET** - Create a dynamic labour market that can respond flexibly to labour supply and demand changes. Enable greater flexibility, reduce bureaucracy and digitise public administration faster.
3. **NEW SKILLS FOR NEW QUALIFICATIONS** - An adequately set

training system must also address the existing technological and green transformation. Massive retraining for developing new skills and expertise should therefore be initiated. Enact voluntary dual education in secondary education and involve employers in the modernisation of the education system.
4. **DEVELOPMENT OF THE DIGITAL ECONOMY** - The Government should take advantage of the Czech Presidency of the Council of the EU and reflect Czech priorities to the maximum extent possible in the legislative proposals under discussion in the area of artificial intelligence, data sharing outside the EU or access to cloud policy and cybersecurity, after thorough consultation with the private sector.
5. **EXPORT SUPPORT** - Prepare a proper amendment to insurance and export financing law with state support. To organise at least 25 foreign trips by government members accompanied by people in business on behalf of the Czech Republic next year and to cover their presence in the country.
6. **INDUSTRIAL RESEARCH, DEVELOPMENT, AND INNOVATION** - Support investment in industrial research, development, and innovation through the state budget and better conditions for using tax deductions for research and development.

News FLASH

>EXTENSION OF GOVERNMENT AID FOR INCREASED ENERGY COSTS

Under the temporary crisis framework, companies have the opportunity to receive support as a result of rising electricity and gas prices. Firms in all sectors of the economy are now eligible for support. Companies whose energy costs exceed 3% of the value of their turnover will also benefit. Sectors belonging to the category of customers with capped electricity and gas prices are not eligible for support. EGAP (Export Guarantee and Insurance Company) will also now provide guarantees for operating capital loans and investments.

>JOINT PURCHASING OF NATURAL GAS

The extraordinary EU energy ministerial meeting discussed the clear definition of legislative proposals on joint gas purchases and price capping. The Commission is expected to publish a proposal in the coming week. In addition to joint gas purchases, the proposal should also include an increase in transparency of the TTF price index, resistance to speculative behaviour, and solidarity between member states and increasing energy savings.

>THE WINDFALL TAX

The revenue from this tax should be used to cover the extra costs of energy price capping. The windfall tax should represent 60 % and should be applied between 2023 and 2025, mainly to energy, oil and mining companies and banks, and in 2023 should raise 85 billion crowns.

7. **IMPROVE THE BUSINESS ENVIRONMENT** - Speed up construction procedures by amending the Construction Act to a maximum of 1 year. Accelerate the evaluation of projects under the support from the European Funds or the National Recovery Plan and increase the predictability of the system by timely publication of call schedules. *Source: SPCR.CZ*

PRESIDENCY AS SEEN BY THE CONFEDERATION OF INDUSTRY OF THE CZECH REPUBLIC

The Confederation of Industry of the Czech Republic (hereinafter referred to as SP CR) is urging the Czech Presidency to support a European Union that remains business-friendly and creates a level and fair playing field for entrepreneurs operating in the Internal Market and globally. The multiple crises: the persisting threat of the COVID-19 pandemic, the war in Ukraine and the related energy crisis, which has hit Central and Eastern European businesses the hardest, are key issues of the Czech Presidency. This meant that SP CR had to operationally change our priorities set for CZ PRES. In the face of the critical situation, we have repeatedly called on the Government to push through the specific measures needed to be taken at both the European and national levels (decoupling of electricity prices from gas prices, capping of gas prices, increased liquidity, adjustments to the EU ETS system, fundamental changes to the Temporary Crisis Framework). SP CR called on to provide solutions and emergency measures for large companies, which play an essential role, and not only economically, in the Czech Republic. Thanks to CZ PRES, SP CR had the opportunity, among other things, to personally discuss issues with the leadership of BusinessEurope and to subsequently co-draft an appeal to the European Commission and the Czech Presidency. The individual points of the letter were also discussed during the

BusinessEurope leadership's visit to Prague as part of SP CR, with the EU Presidency Expert Team and are based on SP CR's position on the Energy Council. The aim of SP CR is to put the Single Market back at the heart of the European policymakers' concerns. To demonstrate that the Czech Republic remains one of the core members of the like-minded core group. SP CR strongly supports the Long term action plan for better implementation and enforcement of Single Market rules. SP CR is calling for more effective functioning of SMET (Single Market Enforcement Taskforce) so that more persistent barriers can be removed. The newly introduced SMEI (Single Market Emergency Instrument) must move in the right direction, so that it is genuinely focused on and addresses the EU's industrial dependencies, has clear definitions and does not lead to additional administration and regulation. Within the CZ PRES, SP CR expects as well that the trialogue on revising the General Product Safety Regulation on the market will be completed and the upcoming revision of the Product Liability Directive will progress successfully. In the area of the digital economy, we are dealing with several major legislative proposals, for example, in the field of artificial intelligence and data sharing, the shape of which will affect the functioning of the digital economy for decades to come. SP CR positively views and supports several

existing initiatives in the field of education, launched before the CZ PRES, leading to strengthening of the EU learning area: Individual Job Accounts (stressing the diversity in the national approaches), micro-certificates (entirely), the European University Cooperation Package, the Talent Pool and Skills Package.

A big challenge for employers was the area of employment and social affairs. Thanks to the stubbornness of the EP, the controversial proposal for Pay Transparency, EU regulation 883/2004 on the coordination of social security systems in connection with the enforcement directive on posting of workers, remained hanging in the trilogue. CZ has a sensitive proposal on the table to improve working conditions in platforms with the ambition to conclude a general approach by December in EPSCO.

CZ PRES also touched on two business-sensitive proposals in the area of sustainability and transparency of businesses - corporate sustainability reporting and the preparation of delegated acts and corporate sustainability due diligence with the ambition to achieve a general approach.

However, the CZ PRES does not end there, and the SP CR preliminarily evaluates it positively, as flexible in responding to the current situation and constructive in terms of the direction of the discussed proposals.

Source: SPCR

EESC: WHAT HAPPENS TO THE ELECTRICITY MARKET DESIGN?



The energy crisis has a knock-on effect on the economy, driving up prices for businesses and reducing the amount of money that consumers have to spend. The price of gas is pushing up energy prices which are driving extremely high inflation. For many businesses the situation is financially unsustainable and has even more drastic consequences than the COVID-19 pandemic. Businesses therefore support the Commission's approach of taking short-term measures to ensure affordable prices and reducing costs for European citizens and businesses, including direct financial support for vulnerable consumers, as well as for those SMEs and energy-intensive industries suffering the most. We also favour measures that would decouple the gas price from the electricity prices and those that would address market abuse and speculation. Temporary price caps or other interventions in the wholesale energy markets are

necessary in the currently over-strained market. At the same time, these extraordinary measures must be set up at a level which will still give the desired price signals yet won't destabilise the security of supply.

It is clear that the primary cause of this situation is Putin's weapon against Europe – European dependence on Russian gas. That is why Europeans suffer from high energy prices. In turn, we need to eliminate the root cause of rising electricity prices, facilitate increased production and the use of non-fossil energy to the extent that meets the energy demand. The Commission's proposal to reduce demand is the easiest way to cope with energy bills and to lower emissions. However, further savings might be a big challenge for some industries. We therefore support that savings must be a joint effort by households, the public sector and businesses. Beyond short-term measures, greater investment is

needed for a more rapid transition to a non-fossil and climate-neutral energy system. Indeed, it should be recognized that many measures, particularly major investments, take longer to become a reality. For some measures, more time is needed to enable their proper planning and to ensure their feasibility and compatibility with the basic energy objectives and to avoid short-term measures that may turn out to be counterproductive in the longer term. The need for long-term thinking also applies to ensuring the security of energy supplies and preparedness for exceptional situations and disruptions in the markets. Considering the future energy landscape and generation mix, new emerging technologies, geopolitical developments as well as the lessons learnt from the current crisis, these adjustments and improvements should contribute to optimising the functioning of the electricity market design and make it a better fit for driving a cost-effective decarbonisation of the electricity sector, delivering affordable prices for consumers and increasing its ability to withstand price volatility.



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