



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2023) 2447 final

- English translation of the French version which is authentic -

Brussels, 22 March 2023

TEXTE EN

MINUTES

**of the 2447th meeting of the Commission
held in Brussels
(Berlaymont)
on Wednesday 22 February 2023
(morning)**

PV(2023) 2447 final

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Single sitting: Wednesday 22 February 2023 (morning)

The sitting opened at 9.08 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Mr TIMMERMANS	Executive Vice-President	Items 1 and 2
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	Items 1 and 2 (in part)
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	
Ms ŠUICA	Vice-President	
Mr SCHINAS	Vice-President	
Mr HAHN	Member	
Ms GABRIEL	Member	Items 1 and 2 (in part)
Mr SCHMIT	Member	
Mr GENTILONI	Member	Items 1 and 2 (in part)
Mr BRETON	Member	Items 1 and 2 (in part)
Ms FERREIRA	Member	
Ms KYRIAKIDES	Member	
Ms DALLI	Member	
Ms JOHANSSON	Member	Items 1 and 2 (in part)
Mr LENARČIČ	Member	
Ms SIMSON	Member	
Mr SINKEVIČIUS	Member	Items 1 and 2 (in part)
Ms McGUINNESS	Member	

Absent:

Mr BORRELL i FONTELLES	High Representative / Vice-President
Mr WOJCIECHOWSKI	Member
Mr REYNDERS	Member

Ms VĀLEAN	Member
Mr VÁRHELYI	Member
Ms URPILAINEN	Member

The following sat in to represent absent Members of the Commission:

Mr VILLARINO	Head of Cabinet to Mr BORRELL
Mr PINTO ANTUNES	Deputy Head of Cabinet to Mr WOJCIECHOWSKI
Ms TUTS	Head of Cabinet to Mr REYNDERS
Ms LESOVICI	Expert in Ms VĀLEAN's cabinet
Ms HAENICKE	Policy coordinator in Mr VÁRHELYI's cabinet
Ms BARTELT	Deputy Head of Cabinet to Ms URPILAINEN

The following also sat in:

Mr SEIBERT	Head of Cabinet to the PRESIDENT	
Mr CALLEJA CRESPO	Director-General, Legal Service	
Ms AHRENKILDE HANSEN	Director-General, DG Communication	
Mr MAMER	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's cabinet	
Mr WHELAN	Adviser in the PRESIDENT's cabinet	
Mr VAN KEMSEKE	Adviser in the PRESIDENT's cabinet	
Mr BIROL	Executive Director of the International Energy Agency	Items 1 and 2 (in part)
Mr BLASI	Special Advisor to the Executive Director of the International Energy Agency	Items 1 and 2 (in part)
Ms ALLOUIS-LE LOSTEC	Head of Unit in the Secretariat-General	
Ms BUKA	Secretariat-General	

Secretary: Ms JUHANSONE, Secretary-General, assisted by Ms DEPREZ, Director in the Secretariat-General.

**1. AGENDA AND WEEKLY MEETING OF HEADS OF CABINET
(OJ(2023) 2447/FINAL; RCC(2023) 2447)**

The PRESIDENT authorised the launch of a written procedure (PE/2023/1181) in order to adopt the decisions in items 4, 5 and 7 of the agenda of that day's meeting, set out in OJ(2023) 2247 final, the adoption of which had been recommended by the Heads of Cabinet at their weekly meeting on Monday 20 February 2023, as indicated in the record of that meeting in RCC(2023) 2447.

In accordance with Article 6 of the Commission's Rules of Procedure, the PRESIDENT adopted the definitive agenda of that day's meeting.

**2. ORIENTATION DEBATE ON COMPETITIVENESS – FOLLOW-UP TO
THE SPECIAL MEETING OF THE EUROPEAN COUNCIL OF 9 AND
10 FEBRUARY 2023
(SEC(2023) 97)**

The PRESIDENT welcomed Dr Fatih BIROL, Executive Director of the International Energy Agency (IEA), and thanked him for agreeing to shed light on the energy and competitiveness situation in Europe in this orientation debate.

She opened the College's debate, which was intended to provide strategic and political direction both for future proposals on the competitiveness of clean technologies in Europe and, more broadly, for the EU's long-term competitiveness strategy.

She explained that, following her introduction and Mr BIROL's scene setter on energy issues, the College would continue the debate with a view to outlining the broad strokes of the strategy to be implemented to boost competitiveness and productivity in Europe and thus define the content of the legislative initiatives to be presented in March, as requested by the European Council.

The PRESIDENT began by pointing to the extensive groundwork laid by the Commission over the past three years. She mentioned in particular the European Green Deal, the proposals of the ‘Fit for 55’ package and the extension of the emissions trading system. She also referred to the proposed Effort Sharing Regulation to reduce greenhouse gases and, more generally, to the various proposals designed to ensure the transition of the European economy to clean and renewable energy and greater energy efficiency.

She considered that the Commission could be proud of this record and of the momentum created in the green economy sector and in favour of the general objective of decarbonisation. Moreover, the Commission had managed to stay on track, despite the international turmoil caused by the COVID-19 pandemic since 2020 and the outbreak of the Russian war of aggression on Ukraine on 24 February 2022.

As regards energy, she focused on the increasing levels of competition at international level and the growing geopolitical dimension of the supply chain. The gas price curve in Europe clearly showed that, in 2021, European gas stocks had been at their lowest levels and Russia was already using supplies to push up prices.

Since then, the European Union had diversified its sources of supply, invested in renewable energy, taxed windfall profits to support households and created a joint gas purchasing platform. This was reflected in the fact that, today, energy prices in Europe were lower than before the war.

The PRESIDENT felt that the US Inflation Reduction Act, which offered USD 369 billion in subsidies for the decarbonisation of the US economy, had also highlighted the extent to which Western countries were dependent on certain components from third countries. She raised the issue of rare earths and metals and China’s growing significance in all key aspects of this supply chain (gallium, magnesium, manganese, cobalt, lithium, batteries, solar panels), including the country’s efforts to shape and define international standards to its advantage.

The PRESIDENT concluded her introduction by pointing to the Commission's adoption on 1 February of the Green Deal Industrial Plan, which aimed to make European industry a champion of carbon neutrality. The plan was based on four components: a predictable and simplified regulatory environment, faster access to finance, upskilling, and the opening up of trade to ensure resilient supply chains. She added that other Commission initiatives would shortly be presented, focusing on the clean technology sector, the single market and the overall competitiveness of the European economy.

Mr BIROL thanked the PRESIDENT for inviting him that day and congratulated the Commission on all the measures it had taken on climate and energy, in particular since 24 February 2022. He felt that the European Union had been well prepared for winter that year, thanks in particular to its increased stocks of gas, and said that this was good news for European competitiveness.

The statistical data showed a clear trend in various indicators since the beginning of the war in Ukraine: a decline in Russian oil and gas revenues, a sharp reduction in Russia's share of the EU's gas supply, the increased deployment of solar and wind energy in Europe, the increase in sales of heat pumps and electric cars, and the reduction of CO₂ emissions. He considered this to be a real success.

However, while the worst of the turmoil had been avoided that year, he cautioned against complacency in preparing for next winter. He stressed the importance of keeping in mind three key factors: the uncertainty of whether Russian gas would continue to be supplied, the limited capacity of liquefied natural gas on the international market, and finally the revival of the Chinese economy and the resulting significant increase in its energy consumption, particularly of liquefied natural gas, to the detriment of other importing countries.

Mr BIROL noted the emergence of a new global energy economy and felt that countries able to understand this development would be able to reap the benefits. He considered that global industry was entering a new era of clean energy

manufacturing and that the EU needed a new industrial model. Energy costs constituted a significant part of the production chain and would remain high for the foreseeable future, and the industrial model would therefore have to change and would vary depending on the countries concerned.

He added that this new model was a tool that the European Union would have to use in order to increase its competitiveness. But it would need to act quickly to catch up with its competitors, particularly China, which now controlled a very high proportion of the production of critical minerals (cobalt, lithium) and metals (copper, aluminium) as well as the manufacture of technological products such as batteries, wind turbines, solar panels, heat pumps and electrolyzers.

Mr BIROL pointed out that, despite the US Inflation Reduction Act, two thirds of batteries would continue to be manufactured in China in the short and medium term. China would therefore remain dominant in the sector, and it would be difficult to redress the current balance.

In this regard, he drew attention to the investments made or planned in the United States, Japan, India and South Korea, and pointed out that the European Industrial Plan required a detailed analysis of the existing situation and the EU's competitive advantage on the basis of its skills and current production capacity. He stressed that while the European Union had neither cheap energy nor minerals in abundance, its wealth lay in its large single market, its know-how, its skills and its research.

Mr BIROL stressed the importance for the EU of targeting those parts of the supply chain which the envisaged measures would focus on, and of identifying the financial and regulatory measures that would be needed to make good use of the resources available and take advantage of investment opportunities.

Finally, he mentioned two key elements which, in his view, the EU needed to take into account: on the one hand, the importance of coordinating efforts at European level, since it was only at the scale of the single market that added value could be

created and, on the other hand, the need to develop an ambitious policy of international partnerships. The EU could not act alone in the face of the changes that needed to be made and, beyond the potential adjustments to the US Inflation Reduction Act, it had to determine which partner countries to work with to find the complementary relationships its industry needed.

He concluded by pointing to the short-term precautions to be taken for next winter and by stressing the extent to which the proposals that the Commission would shortly adopt would be decisive for the future of European industry and for the competitiveness of the Union.

The PRESIDENT warmly thanked Mr BIROL for his contribution and highlighted the quality of the International Energy Agency's data used to support the Commission's analysis.

Mr TIMMERMANS felt that much had been achieved at European level and that it was important to forge ahead with the green transition while avoiding dispersal of efforts by the Member States. The EU already had comparative advantages in certain areas, particularly hydrogen, next-generation batteries and wind power, so now was the time to make the right decisions.

He emphasised that certain European manufacturers had competitive advantages on the global market; the question was how to make use of those advantages while preventing market concentration between companies.

Lastly, Mr TIMMERMANS considered that the issues of costs and prices should be properly analysed, as should the question of the EU's relationship with China, which was both its competitor and its trading partner. These relationships were based on a mutual dependence that was bound to evolve, but which nevertheless had to remain balanced and guarantee a level playing field.

Ms SIMSON began by referring to the meeting organised the previous week by the International Energy Agency, which had brought together energy ministers from

some 40 countries to discuss the situation in the gas markets and security of supply. She felt it was important to work with all stakeholders to improve energy efficiency and reduce demand with a view to the coming winter and given that competition for energy was set to increase. Russia had produced less energy in 2022 than it had done previously and, even if the EU found alternative sources of supply, energy efficiency had to become a global priority.

Moreover, the impact of sanctions against Russia could lead to difficulties with certain players on the world stage, but it was necessary to make them fully comprehend that the changes made in terms of diversifying supplies were irreversible.

In the course of the discussion that followed, the Commission raised the following main points:

- the observation that there was a feeling of relative complacency and a slight relaxation in vigilance with regard to gas supplies for the coming winter, and a reminder of the need to continue working with all interested parties on the joint gas purchasing platform;
- the evolution of battery technology and prices in Europe, as well as the recent discussions with the European Battery Alliance on the possibility of introducing a bonus for the use of the best available technologies, which would boost the competitiveness of the companies using these technologies on the global markets;
- the question of identifying a break-even point for renewable energy production, beyond which the amount of energy produced from renewables could ultimately bring energy prices down;
- the risk of a gas supply shortfall next winter, which could amount to between 30 and 50 billion cubic metres, and potential solutions to address the issue;

- the need for the EU to take strategic decisions on what had to be produced locally and what should be procured from global partners, while ensuring that supply chains were secure and avoiding critical dependency, particularly with regard to raw materials;
- the need for the EU to avoid a subsidy race despite the significantly higher cost of energy in Europe compared with other parts of the world, and to focus instead on developing Europe's potential in terms of research, innovation and skills through simplified regulation and more effective use of venture capital;
- the need for the EU to build on its strengths in order to guarantee its global competitiveness, in particular by safeguarding the single market, making progress with the Capital Markets Union, reducing the administrative burden, especially for small and medium-sized businesses, and concluding new trade partnerships that would diversify its supply chains and make them more resilient;
- the possibility of making use of existing natural gas resources in several EU Member States.

In response to the issues raised, Mr BIROL said that he expected energy prices to remain high in Europe. In his view, in the future the EU ought to prioritise renewable energy generation technologies based on electrolyzers, heat pumps, next-generation batteries and offshore wind. He also recommended that the EU and the US should cooperate closely on battery production.

With regard to China, he stressed the importance of gaining a better understanding of its policies, assessing its capabilities and identifying its plans for the next 7 or 8 years, so as to improve interaction with this partner country and ensure energy supply security in Europe.

With regard to Russia, a large part of the country's oil and gas fields were geologically complex and mature, meaning that they required technology injections

so that they could remain in use. However, he explained that Russia no longer had the technological capacity required to maintain its production levels, as large oil and gas companies had left the country. As a result, Russia was no longer the world's leading energy exporter as it had been a year ago.

Mr BIROL expressed his concerns regarding gas supplies for the coming winter and pointed to the increased production of nuclear and hydroelectric power as potential additional sources of energy. He also recommended that the EU should continue to save gas, including through stricter regulation of energy savings.

With regard to the EU's industrial strategy, he congratulated the Commission on the four pillars of its Green Deal Industrial Plan and considered that it was now necessary to carry out a systematic assessment of Europe's strengths and weaknesses with regard to different technologies in order to identify the aspects to be prioritised; the International Energy Agency could provide support for this process. In this regard, he stressed that Europe should invest in developing and manufacturing energy technologies that it could support in the long term.

In his view, this did not imply a race for subsidies, but rather targeted support in strategic areas to encourage innovation in the Member States. In this context, he also referred to the recent discussions on the carbon border adjustment mechanism. Mr BIROL considered that the mechanism should be the subject of an in-depth debate between the EU and the US, as it could have an impact on investment decisions in different regions of the world.

Lastly, with regard to the potential use of sources of natural gas in the EU Member States, he recommended avoiding taking any such measures unless it was absolutely necessary; European geology was very complex and extraction might not be economically viable.

The PRESIDENT closed this first part of the orientation debate by warmly thanking Mr BIROL for his contribution. She stressed the importance of the issue of economic security raised during the debate, and reminded the meeting that the

participants in the work of the G7 would address this issue as a matter of priority that year.

At the PRESIDENT's invitation, Mr TIMMERMANS introduced the second part of the College's orientation debate on competitiveness. Against the background of the far-reaching industrial revolution that was underway, the EU needed to identify the areas and sectors that required greater protection in order to safeguard its economic and strategic interests. In the short term, it should shield itself from the potentially harmful effects of the US Inflation Reduction Act on its industry, but in the longer term, it should place itself on a solid footing in the face of this far-reaching economic, industrial and social transition. To this end, the EU needed to strike the right balance between reducing dependency and avoiding an overly strict approach that could lead to isolation.

In connection with its industrial transition, the EU should bear four types of risk in mind:

- i) Geopolitical risks, as illustrated by Russia's aggression against Ukraine, which had had multiple and far-reaching consequences for the world economy, compounded by other crises in Europe and beyond;
- ii) Economic risks, in so far as growth strategies implemented in various regions of the world could undermine fair competition, which could in turn destroy whole sectors of the EU's industry. Europe would inevitably face choices as to which sectors to protect as a priority and which competitive advantages to harness in order to strengthen its position in the world economy;
- iii) Time-based risks, as although the EU had been in the forefront of the transition to a circular economy and net zero carbon emissions, it might be overtaken by other countries and world regions now moving in the same direction. Europe was often slow to make the necessary investments to grow its industry compared with its main competitors, even though speed was key to gaining a decisive competitive advantage. Investors on either side of the Atlantic took

very different approaches to risk management, and American investment funds were less risk averse than European banks tended to be;

- iv) Socio-economic risks, which were largely a consequence of long-term demographic trends in the EU; labour shortages could emerge without necessarily giving rise to full employment if the labour force did not have the skills required for the industrial transition.

Mr TIMMERMANS remarked that the United States had made promoting domestic production capacity and supply chains a key part of its industrial strategy. This was also true of some Member States within the EU, which planned not only to invest in new technologies but also to protect existing industries, without necessarily taking account of their longer-term viability. He stressed that promoting domestic production capacity was not an effective or fair means of consolidating industrial competitiveness, and advocated sharing supply chains established in close collaboration with partners who shared the same values.

As part of such an approach based on openness to trade, the EU should direct its investments towards technologies likely to give it a competitive edge but with widely varying risk profiles. He cited electrolyzers, wind energy, smart turbines and heat pumps as examples of technologies of the future in which Europe still had a competitive advantage that it should preserve. But the EU should also invest in strategic sectors in which it was not or no longer competitive. This concerned, for example, battery production, which required intensive labour and was a promising sector, given that batteries accounted for one third of the value of electric cars, which in turn were destined to replace combustion-engine vehicles in the long term.

Mr TIMMERMANS accordingly took the view that the EU's industrial strategy should above all be founded on a robust and precise analysis of supply chains in order to identify the sectors and technologies of strategic interest for boosting its competitiveness. The risks associated with these supply chains should be carefully assessed with a view to ensuring that they were properly protected.

Lastly, he stressed the importance of a change in approach from capital markets when it came to the massive investments needed for the green transition, and commented that the EUR 700 billion in revenue from emissions trading could be put to good use. While part of this revenue had to be used to service the EU's debt in connection with the Recovery and Resilience Facility, most of it could be used for a common fund, possibly supplemented by other revenue, based on shared political will.

Ms VESTAGER felt that Europe also needed to capitalise on its strong points, and she referred to the example of public services, generally more developed in the EU than in other regions of the world, which could play a decisive role in the transition. By improving their own productivity, public services would by the same token increase their capacity to implement the policies and programmes designed to accompany the transition. By way of example, she underlined the European Care Strategy (CARE) which, in seeking to ensure affordable, accessible and high-quality care services across the European Union, was set to unlock part of the workforce and hitherto untapped talent, in particular that of women. Investment in high-tech and digital technologies would play a key role in increasing the productivity of public services, but public money was not limitless, and choices would therefore have to be made.

In order to strengthen its competitiveness, the EU would have to draw on all available sources of financing, both at national and European level. The necessary investments should also entail private financing – investment funds or venture capital – using the leverage effect of public funds.

While the EU's single market was an essential asset in strengthening its competitiveness, some sectors of the economy would have to be supported, which warranted reviewing the State aid regime. This should be limited, targeted, temporary and proportional, the aim being to preserve a level playing field and avoid a subsidy race and the fragmentation of the internal market.

With regard to public funding, Ms VESTAGER pointed out that the EU now had a number of funds and funding programmes, including the Cohesion Funds, research programmes and, more recently, the Recovery and Resilience Facility and REPowerEU. This underlined the EU's ability to multiply sources of funding, often in a creative manner and with an eye to the long term. The ongoing discussions on the creation of a European Sovereignty Fund should be looked at in the context of the revision of the EU's Multiannual Financial Framework, without, however, reopening this entirely. Ms VESTAGER pointed out that the financial resources available were limited, but said that the EU should continue to pursue all of its objectives, and that its assistance to Ukraine remained a priority.

The EU should therefore focus on taking rapid action on targeted objectives, building up its capacity to withstand the risks inherent to investing in future technologies. She ended by pointing out that the EU's powers were limited and did not allow it to deal with all the components of productivity, which must therefore be considered in close cooperation with the Member States as part of a common strategy.

Mr DOMBROVSKIS considered that strengthening the Union's competitiveness had to be based on its single market and removing the remaining barriers to trade between Member States in order to unleash its full potential. Special attention should be paid to small and medium-sized enterprises so that they could take full advantage of the opportunity to trade at EU level and beyond. The EU was a major trading power, and over 30 million European citizens were dependent on international trade. However, in the coming years the main centres of economic growth would be outside the EU, and the EU could only supply locally 15 % of the raw materials needed for its green and digital transition.

Mr DOMBROVSKIS's conclusion was that, while Europe had to protect its industrial interests and supply chains, it could not do so in isolation from the rest of the world and must therefore maintain its openness to international trade, in accordance with the rules of the World Trade Organization. That was why the

Commission was continuing its efforts to conclude trade agreements with New Zealand and Chile, and in the near future with Australia and Kenya. Sealing the EU-Mercosur trade agreement was a priority given the considerable potential for growth in trade between these two regions of the world.

Lastly, Mr DOMBROVSKIS referred to the use of new instruments forming part of the EU's trade policy, such as the EU-US Trade and Technology Council and international partnerships focusing on raw materials. The convincing results obtained from these new instruments opened the way to considering the use of similar instruments with various EU trading partners, as was the case that day with the establishment of a Trade and Technology Council bringing together India and the EU.

Mr BRETON noted that in the course of the following months, the EU would have to continue to meet Ukraine's needs, relying in particular on its own industrial production, as well as secure energy supply during the next winter. Although these were short-term objectives, it meant that strengthening the EU's competitiveness was just as important as meeting its longer-term climate goals. He therefore argued that the main elements of the strategy to be implemented were based on a set of sectoral measures, general improvements to the EU's competitiveness and ways of harnessing the internal market's potential.

He first discussed the sectoral measures that needed to be defined on the basis of a detailed examination of supply chains, which would enable the EU to establish what could or should be produced in Europe. He stressed the importance of ensuring that supply chains remained open, explaining that achieving that aim was precisely the objective of the proposal for a Regulation on critical raw materials that the Commission would adopt shortly. The expectation was that the Regulation would enable the EU to identify projects related to strategic materials, to direct investment towards priority requirements and to benefit from tools to secure certain supplies.

Mr BRETON then mentioned the urgent need to reform the European electricity market and to accelerate the increase in electricity production in Europe in order to restore competitiveness by reducing energy costs. In the longer term, he explained that innovation and improving the regulatory environment for businesses were essential if the EU was to become more competitive. In particular, he stressed the importance of reducing the administrative burden on businesses by facilitating and simplifying procedures at EU level.

Lastly, he considered the single market to be one of the EU's main assets and a decisive factor in terms of strengthening its industrial competitiveness. He argued that its potential could still be exploited more effectively, particularly by removing persistent barriers to trade, but it also needed to be preserved by ensuring that Member States observed the rules in force. In that regard, the Commission would have an important role to play in market surveillance.

Mr SCHMIT stressed the importance of a skilled workforce which was, to a large extent, a condition for strengthening the Union's industrial competitiveness. However, he noted that Europe was facing not only a skills shortage, but also a shortage of workforce. He noted that long-term demographic trends were pointing to a significant decline in Europe's working-age population over the coming decades. A number of Member States had already increased the avenues available in terms of legal migration in order to overcome labour shortages. In a worst-case scenario, Europe could suffer from a future skills shortage in addition to high unemployment, if no measures were taken to train the existing workforce to meet the needs resulting from the transition to a net-zero emission industry. In that regard, he suggested drawing on the existing labour pool comprising women, young people and the elderly.

Mr SCHMIT also stressed the importance of retaining a skilled workforce in Europe by offering high-quality, well-paid jobs. That was also the main message to be gleaned from the Inflation Reduction Act in the United States, which provided for rapid and targeted support for production activities needed to ensure the industrial

transition. Moreover, developing the skills needed to accompany this transition would not only offer many job opportunities attractive to a highly-skilled workforce, but also to the less skilled. He pointed out the many sectors of industry experiencing a labour shortage, particularly in the areas of defence, construction and energy.

Lastly, he said that while the single market was one of the European Union's main strengths, China and the United States not only had their own internal markets but also took an integrated view of their economies. He concluded that the single market formed the basis for the EU's industrial competitiveness, but that the bloc's economy should now also be regarded as a cohesive whole.

Ms McGUINNESS pointed out that while the single market was a reality, the capital markets union remained incomplete, with many fiscal and regulatory barriers to trade between Member States still in place in the financial sector. She therefore welcomed the recent European Council conclusions, which called for more intensive work in close cooperation with the Parliament in order to adopt the legislative initiatives proposed by the Commission to complete the capital markets union.

During this orientation debate, numerous references had been made to the vital importance of the financial sector and private capital in order to finance the green and digital transition. She stressed that the banking union formed an integral part of the formation of the capital markets union, which was expected to facilitate financial flows and investments between Member States and at EU level.

In that context, in March she would present the College with a series of measures relating to bank crisis management and deposit insurance, consisting in particular of a proposal for a Directive on capital requirements for credit institutions and a proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms.

However, despite widespread support for the objectives of the green and digital transition, including in the financial sector, she had noted concerns within the

private sector regarding the regulatory aspects of the transition, such as the taxonomy for sustainable finance or legislation relating to corporate sustainability due diligence. It was particularly useful to establish clear communication and regular dialogue with the financial sector, especially in terms of the reporting requirements for green bonds, so that it could make the necessary adjustments to implement new rules. She also pointed to the need to ensure that the new rules applicable in Europe could be understood beyond the EU and would be compatible with rules in place at international level.

Finally, Ms McGUINNESS referred to the febrile nature of the financial sector, a factor which did not affect the content of the legislation being adopted as much as the arrangements for implementing it according to a predefined timetable, and its relationship with the introduction of new rules at global level. In that regard, she stressed the importance of actively continuing work on the proposals in the process of being adopted, but also on pending proposals. The cumulative effect on the development of a clear and business-friendly regulatory framework generated by such initiatives should not be underestimated. In the run-up to the next European Parliament elections, Parliament would necessarily be reducing its legislative activity. It was therefore worth acting quickly to ensure that the EU had all the instruments it needed to promote the industrial transformation required to support the green and digital transition. Otherwise, there was a danger that investments would gradually be diverted to regions with a more business-friendly regulatory framework.

Lastly, she stressed the need for all Members of the College to make strengthening the EU's competitiveness an integral part of their responsibilities in order to ensure the overall consistency of the Commission's action in this area.

The main issues raised by the Commission in the ensuing discussion were as follows:

- the relevance and usefulness of Mr BIROL's presentation to the orientation

debate and the College's discussion on boosting the EU's industrial competitiveness;

- the confirmation of the success of the Commission's energy supply strategy and of the instruments put in place to limit the adverse impact of the crisis caused by rising prices;
- the need to consider energy security, sustainability and competitiveness in conjunction with one another, so as to ensure that EU policies were consistent overall, which called for the completion of the robust initiatives set up with REPowerEU and in the context of the European Green Deal, with targeted measures designed to boost the competitiveness of European industry;
- the need to promote and protect Europe's competitiveness at international level, to maintain a level playing field and to improve access to international markets for European businesses;
- a reminder of the EU's leading role in the global struggle against climate change, and the difference between the respective approaches of the EU and the United States to climate incentives, with carbon pricing and the carbon border adjustment mechanism on the EU side, and enormous subsidies on the US side;
- the importance of refraining from replacing EU dependency on Russia by increased dependency on China, in the context of China's huge – and welcome – boost to investment in clean technologies, amounting to EUR 550 billion in 2022;
- the need, therefore, to adopt an industrial strategy of risk reduction for critical sectors and supply chains, based on the European values of openness and sharing, rather than on disengagement, reshoring or even setting up production in nearby countries or those that had the same values (friend-shoring);

- a reminder in this context of the importance of not focusing solely on G7 partners, but of also having an active policy vis-à-vis other partners, such as India and African countries;
- the vital need to reform the electricity market in order to maintain the EU's competitiveness, which was suffering as a result of the high and volatile energy prices weighing on European businesses and the investment climate;
- the emphasis placed in this context on a targeted reform rather than a revolution, to guarantee businesses more price stability and access to less costly renewable energies, which should also benefit consumers in due course;
- the usefulness, too, of contracts that involved fewer risks and provided greater flexibility to encourage storage and demand reduction, as well as of a wider range of options for consumers, including, in particular, the option of generating and selling their own electricity;
- a reminder that while the EU managed to cut its gas consumption by an average of nearly 20 % between January 2022 and January 2023 – albeit with considerable differences between Member States – reducing energy demand remained a slow and economically arduous process that would need to be pursued over a number of years;
- the EU's insufficient production capacity in the field of clean technologies, particularly as regards grid components, given that renewable energy production also depended on connection to the European electricity grid, and the tight schedule that could delay the achievement of EU goals in this area;
- the relative slowness of certain technologies for the extraction of raw materials in Europe, which could help reduce certain dependencies, though not rapidly enough, and at the expense of preserving the environment and biodiversity;

- the need, on the other hand, to reassess the potential of technologies such as hydraulic fracturing (fracking), given that existing technologies had developed to such an extent that it was now possible to limit or eliminate the associated risks, with a view to exploiting the potential of the resources available within Europe and thereby limiting dependency on third countries;
- the need for a change of mentality in Europe, to boost technological neutrality and reduce the risk aversion of European businesses and the European financial sector;
- a reminder that the solar energy sector encompassed not only photovoltaic panels, but also more advanced technologies in which the EU could specialise;
- the importance of not focusing solely on the energy sector and of instead encouraging a broad approach to the EU's technological and industrial base, by mobilising all the players involved along the production chain;
- the need to accept that the least competitive companies would go bankrupt, so as to invest taxpayers' money only in companies with genuine future potential;
- risk-taking, which had to be encouraged more in European industry, notably by developing the capacity for venture-capital funding and drawing on the know-how of certain Member States in the fields of risk assessment and the financing of more speculative projects;
- the crucial role of private investment in improving competitiveness within the EU, and the importance of stepping up the work in progress on the capital markets union, in a context in which 75 % of business funding came from the banking sector;
- the need to strengthen the EU's existing instruments, such as the InvestEU programme, whose purpose was precisely to link public and private investment, but also REPowerEU and the Innovation Fund;

- the necessary stocktaking of EU funding sources and the use made of them by the Member States, to promote investment in priority areas and synergies between EU, national and private funding sources;
- a reminder that the vast majority of the EU funds available were preallocated and that it would make sense in this context to have a more flexible EU budget allocation to finance the necessary investments, including investment in supply chains outside the EU in the context of the Global Gateway strategy;
- the need to discuss the structure of the EU budget again with the Member States, to ensure that the EU had a budget in keeping with its priorities and the resources needed to put them into practice;
- the growing importance of developing a central budgetary capacity for the EU, based on new own resources, rather than new instruments that ultimately increased the funds used by the Member States, but in a dispersed fashion and without any real overall consistency;
- in this context, the need to communicate better about the reasoning that underpinned joint funding and to go beyond the practice of looking for a ‘fair return on investment’, whereby the Member States sought to ensure that the funds they allocated to the EU budget via their national contribution were redistributed to them;
- as regards a possible European Sovereignty Fund, the need for a step-by-step approach accompanied by a credible needs assessment, with a view to defining an instrument commensurate with EU’s ambitions;
- the interest which the EU Sovereignty Fund had aroused in the course of discussions, although such a fund could be achieved in the medium term only, and, consequently, the importance of making full use of existing instruments;

- the fact that the European Council had called for maximum flexibility in making use of existing funding programmes;
- the ongoing debate on the review of the Multiannual Financial Framework (MFF) and preparations for the next MFF, and a reminder of the existing limits to the EU's borrowing capacity;
- the lack of consensus among the Member States on the issue of State aid and joint EU funding, and the importance in this context of the framework to be established by proposals put forward by the Commission;
- a reminder of the addictive nature of State aid and the risks of distorting the single market if a loosening of the rules were to benefit only Member States with a sufficiently large budgetary margin;
- in this context, the stated preference for structural measures prioritising, for example, the reforms and investment needed to modernise vocational education and training systems;
- the 'knowledge triangle' (education, research and innovation) as the basis of European competitiveness, and the importance in this connection of the New European Innovation Agenda;
- the focus on creating 'innovation valleys', for example for hydrogen or deep tech, on 'regulatory sandboxes' to provide a testing ground for innovators, and on the Deep Tech Talent Initiative to fill the knowledge gap regarding technology sectors of the future;
- the importance of bringing the EU's innovation policies and tools together as a coherent whole, and the example of the European Institute of Innovation and Technology (EIT) programme, which was drawing together local representatives from business, research and education;

- the development of organisations such as business centres and incubators to integrate knowledge gained in universities, share good practice and harness the synergies that existed between different sectors;
- the emphasis rightly placed on education, skills development and quality jobs, particularly against the backdrop of Europe’s demographic trends, which were transforming society profoundly on a scale comparable to the changes effected by the twin digital and green transitions;
- the significant challenge posed by training in essential skills and the importance of unlocking the untapped potential of groups of people who were disadvantaged or marginalised because of the lack of appropriate support structures;
- the reference, in particular, to the seven million skilled women who were nevertheless absent from the EU labour market due to family responsibilities, and the value of boosting their participation in the labour market;
- the long-standing challenges that also had to be addressed regarding the integration into the labour market of young and elderly people, people with disabilities, people with a migrant background and vulnerable groups of people, through cross-cutting strategies under the Union of Equality initiative and the European Pillar of Social Rights, in order to ensure that no one was left behind and that everyone’s talents were harnessed in full;
- the importance of reducing the economic and social disparities between the different regions of Europe and of guaranteeing that all citizens, including medium- and low-skilled workers, were included in the EU’s programmes and strategies to develop skills and talents;
- the risk of a brain drain from some Member States to others, but also the risk of rural exodus within each of them, and the repercussions for the working population and the labour market;

- the relevance in this context of the talent booster mechanism proposed by the Commission in its recent Communication ‘Harnessing talent in Europe’s regions’, to help Member States adapt to these dynamics;
- the observation that the economic situation, although better than expected at a time of crisis, was still challenging, with very weak growth and high inflation expected for 2023, and the associated risk that the EU would draw the ire of those people who felt that they had lost out in the transition;
- the forthcoming publication of a regional competitiveness index to highlight the different situations within the EU, and the case for prioritising projects in regions undergoing transition and providing proportionally greater support to the regions most in need of it;
- the reflection under way on how to improve and simplify cohesion policy, in close cooperation with the European Parliament and the European Committee of the Regions, which would lead to a Communication on this question;
- the burden of certain administrative procedures at European, national, regional and local level, which affected not only businesses but also public administrations;
- the additional regulatory burden resulting from the EU sustainable finance framework and the importance of cutting this red tape at European level, especially through simplified and expedited authorisation procedures for businesses;
- the need, in this connection, to develop a general approach to cutting red tape.

In response to the various points raised, the PRESIDENT noted that, while the administrative burden was exacerbated by staff shortages at national agencies and government departments, the EU also had its role to play in cutting the red tape imposed by European legislation. She stressed that it was important to identify

legislative proposals that risked leading to over-regulation or excessively burdensome obligations, underlining the College's responsibility to continue simplifying and reducing administrative formalities. In particular, she emphasised how businesses were affected by the build-up of administrative obligations arising from the implementation of different policies, the redundancy of which could be ascertained only by taking an overview of all EU legislation.

She too highlighted the demographic transition, pointing out that demographic changes depended on – among other factors – the access of women to education and the labour market. To a certain extent, downward demographic trends were explained by the fact that, even today, skilled women still had to decide between their careers or their families. The high birth rate in certain developing countries was coming down as more women gained access to education and therefore became more able to make informed choices. She considered that, in future, a more sustainable demographic balance could be achieved through tailored policies.

As regards cohesion policy, she pointed out that it was precisely the role of the Just Transition Fund to provide for a rebalancing of the most affected regions. She also mentioned the possibility of using the cohesion funds to speed up clean energy projects.

Lastly, the PRESIDENT welcomed the quality of the debate and how far the reflection had progressed in the previous two months. She nevertheless made clear that the work had only just begun and that it was now necessary to develop quality initiatives to convert these discussions into a tangible reality for the people of Europe.

The Commission took note of these contributions and of the note distributed as SEC(2023) 97.

3. OTHER BUSINESS

LATEST DEVELOPMENTS CONCERNING RELATIONS BETWEEN THE EUROPEAN UNION AND THE UNITED KINGDOM

Mr ŠEFČOVIČ briefed the Commissioners on the state of play of the discussions with the United Kingdom on the Protocol on Ireland/Northern Ireland. He welcomed the constructive nature of the most recent high-level talks with the British government and the progress made to identify concrete solutions concerning the outstanding issues.

The Commission took note of this information.

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The meeting closed at 12.59.