

# EUROPEAN BUSINESS SUMMIT

## EUROPEAN BUSINESS SUMMIT 2022 TAKEAWAYS

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*The following reflects the opinions of the stakeholders present at the European Business Summit 2022, and do not necessarily reflect the views or positions of EBS.*

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The 22d edition of the European Business Summit took place in an in-person format at Egmont Palace where prominent speakers from business, policy and academia were able to connect.

The European Business Summit was a platform of stimulating discussions, sharing experiences and creating new partnerships which are the key to building a more resilient Europe.

Titled "Towards a greener, more integrated, and secure Union?", European Business Summit 2022 hosted 16 exclusive panels and 15 interactive interviews featuring over 90 prominent speakers from business, policy, civil society, and academia, highlighting how crucial it is to have an impartial platform that is inclusive of all points of view. The goal of EBS has always been to promote a sustainable, innovative, and digital economy, through multi-stakeholder discussion.

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### **SPECIAL ADDRESS BY PRESIDENT VON DER LEYEN: 2 MONTHS AFTER THE STATE OF THE UNION**

The global order, which for decades had provided stability and prosperity has been attacked, with far-reaching economic implications, not only on energy prices but also on Europe's long-term competitiveness. But a strong Europe needs strong businesses. Europe has responded to challenges "united and in solidarity", and in a very timely manner: within eight months, 80 % of Russian gas supplies have been replaced. The question of energy prices now has to be tackled, in part through the ongoing electricity market reform and a temporary price correction mechanism for gas. But making the EU more competitive and stronger will also go through increased investments and tighter partnerships with international partners, notably to reduce strategic vulnerabilities and dependencies on raw materials.

### **IS EUROPE'S ENERGY MARKET FIT FOR EMERGING TECHNOLOGIES?**

There is an undeniable need to rethink the structure of the European Energy Market, designed decades ago, to align it to the current and future market, infrastructures, and newer policies, such as those of the Green Deal. Indeed, the market has not been designed for the sharp uptake of wind and solar energy production, which now represent a third of total installed capacities. Thus, improved storage capacities, a modernised grid and accelerated integration between European, national, and local levels will be crucial to accomplishing the energy transition.

Those medium and long-term objectives need to remain priorities, even in light of the current crisis, requiring immediate solutions: temporary subsidies do not equate structural change. Indeed, energy market reform is a decisive factor as to whether Europe's energy transition will be successful or not.

### **INTERVIEW WITH DIRECTOR GENERAL OF DG COMP OLIVIER GUERSENT**

The COVID and energy crises have shown once again that public support through temporary frameworks is what allows competition to survive for many industries in Europe and have therefore also played their part in protecting the EU's independence. In that sense, during a crisis, the rules that are followed change – but nonetheless the level playing field must remain central.

### THE EU'S VALUES ON THE INTERNATIONAL STAGE

There is a set of principles and political, social, and environmental rights shared by EU countries, that should be granted to all individuals. It is not a neo-colonial project, nor against the EU's long-term projects. The EU is now shaping the tools that would allow it to become a strong normative power worldwide, which also responds to growing demands from consumers. The influence of large businesses with strategic interests in non-democratic countries also ought to be addressed as they have the power to negatively impact European innovation and the business environment for European SMEs. In parallel, there is of course a wave of illiberalism inside the EU's borders. But the distinction between internal affairs and diplomacy is increasingly fading. Indeed, Russia, for instance, is an internal problem for European democracies. Russian dependencies and interference are dangerous.

### “TWIN TRANSITIONS”: HOW TO DIGITALISE THE SUSTAINABLE TRANSITION?

The green transition is not only a reduction of household emissions, but a global shift, including increasing protection of the environment, scaling-up clean energy, smart transportation systems, sustainable food production and the circular economy. Without digital technologies the EU will not achieve its goals on these fronts. Not only do digital companies need to reduce their own emissions, they are also becoming essential tools for the global sustainable transition. But in addition to digital companies, it is crucial to involve SMEs too, as they have a key role to play in adapting to the reality of climate change. There are many tools at the EU's disposal: cleantech innovation, artificial intelligence, machine learning, data, and geospatial. All undoubtedly have to be leveraged to accelerate and amplify the sustainable transition. Many projects involving these technologies are and will be implemented in the long-term, outside of electoral cycles. Political will and funding will be crucial in accomplishing the twin transitions.

### 3 QUESTIONS TO EXECUTIVE VICE-PRESIDENT MARGRETHE VESTAGER

The Digital Services Act is entering into force, and the Digital Markets Act is to follow soon. This will create a more even, safe, and reliable EU market for businesses and all stakeholders. We need the online environment to be trustworthy. The role of independent fact-checkers and platforms themselves is crucial in that regard. But the EU is not going towards collision with platforms: “We are never on a collision course with anyone. We consider ourselves a mountain.”, stressed the EVP. If companies want to operate in Europe, they will have to adhere to the EU's rules.

### **SWITCHING GEARS TO NET ZERO - MODERNISING EUROPE'S ELECTRICITY GRIDS**

When working towards decarbonising European industries and electricity grids, it is important to not stop at CO<sub>2</sub> but also other greenhouse gases such as F-gases, which have a global warming potential 25,000 times higher than CO<sub>2</sub>. But while F-gases need to be phased out rapidly, how they will be replaced has to be planned out carefully, to avoid instability, dependencies, and further damage to the environment. Natural-origin gases are designated as a future-proof solution, but in order to reach ambitious goals, further investments will be needed, as well as collaboration between all stakeholders. The current revision of the EU Directive on F-gases needs to offer constructive and ambitious solutions.

### **IMPROVING SUSTAINABLE TRANSPORT SYSTEMS**

To achieve the goals of the European Green Deal, the transport sector needs to reduce its emissions about 90% by 2050. Transport is a sector where demand is very strong: emissions have even risen in the past few years, despite current commitments towards decarbonisation. Alternative fuels – sustainable biofuels, synthetic fuels (at least during the transition and for the aviation sector), green hydrogen and electrification are key components of the solution and will require more investment. With limited funds available, these investments have to be allocated in an efficient way, through public-private collaboration between the different actors.

When it comes to road transport, some technologies still have to be developed, and harmonising the Single Market is also key. The uptake of electric vehicles will greatly increase infrastructure needs for smart and sustainable mobility corridors throughout the entire Single Market, such as charging points. Of course, promoting technology innovation and conducting research & development, notably to improve energy efficiency are also crucial.

### **AGRICULTURE - HOW TO SOLVE THE FOOD CRISIS AND ACCOMPLISH THE SUSTAINABLE TRANSITION**

From climate change to the Fit to 55 regulatory measures and to the war in Ukraine, the agriculture sector is facing many changes and challenges. Food security is central, not only for Europe, but the world. There is a need to increase production while making it sustainable. Some solutions already exist: similar yields can be obtained with more sustainable solutions than fertilisers, but the sustainable transition will still take time, as people will have to change some of their habits. New Genomic Techniques, notably those making crops more resistant can offer opportunities, in light of the new challenges brought by climate change, but they will not be the sole solution to be brought forward, and possible consequences on health and the environment must be very carefully assessed. In parallel, the question of supply chains is also a core issue. Indeed, part of our food security relies on importations, which can sometimes answer to lower standards.

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### UNLOCKING THE POTENTIAL OF THE DIGITAL TRANSFORMATION OF EUROPEAN BUSINESSES

We have seen new digital technologies transforming our society and economies with unprecedented speed in the last couple of decades. Most of these innovations, with a few notable exceptions, came from the other side of the Atlantic but Europe can lead in digital innovation thanks to its strong industry and lead in scientific research. However, companies, citizens and public administrations will have to adapt to digitalisation and its challenges.

### ESGS: HOW TO BRING TRANSPARENCY TO THE BUSINESS EQUATION?

Economic, Social and Governance criteria are gaining momentum through regulatory but also voluntary initiatives. The legal framework around ESGs has therefore evolved a lot recently. It is very ambitious, and while is not fully implemented yet in all areas, it is aiming to become in a few years what financial reporting took decades to become. While not enough to change practices and while it cannot be a substitute for strong regulation, transparency of data is undoubtedly also key in implementing ESG standards. This fosters trust, and allow stakeholders to understand, manage and act upon what is shown by the data. But this can only happen if the reporting data is harmonised, in a way that makes comparability possible. This translates to a need for more international cooperation and convergence, as well as global standards – an important change as markets have long functioned on asymmetry of information. If different zones were to implement different standards, a fracture in globalisation could be the outcome.

### HOW TO OVERCOME ECONOMIC PESSIMISM?

While there are reasons to be pessimistic, the 2023-2024 forecast and scenarios show that the EU and the Eurozone are not performing so badly, especially when compared to the UK and the US. Next Generation EU and the SURE mechanism have been very helpful since the pandemic, which has taught the EU many lessons. One can also be optimistic when comparing the current situation to the global financial crisis. It is important to note that unemployment is at an all-time low. Beyond growth - welfare, stability, equity, and efficiency also have to be taken into account.

### CAN THE GREEN DEAL SURVIVE THE ENERGY CRISIS?

In many respects, the energy crisis is forcing the EU to rapidly reform its energy system, there is a strong focus solely on that area. There is a need to also consider the broader EU Green Deal Agenda: biodiversity, the circular economy, energy efficiency and zero pollution are all important considerations too. Industry representatives outlined how the current situation has accelerated their transition to renewable energy sources and how they will now meet their 100 % renewable targets ahead of schedule. However, while renewables are cheap, some non-economic variables affecting their implementation remain.

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### HOW TO DECARBONISE HEATING IN EUROPE – AND FAST?

There are 100 million heat generators in Europe which produce 34 % of carbon emissions in the economy. Therefore, we need to replace them for more climate-efficient solutions. Heat pumps are a very climate efficient and cost-effective solution. They are the best solution for new homes but there is difficulty with older buildings that use boiler systems. At the current pace, it will take 20 to 25 years to replace each appliance. The energy crisis is spurring consumers to change their own appliances by the support of policymakers is needed through favourable regulation and subsidies.

### INTERVIEW WITH MEP GUY VERHOFSTADT – THE EU REIMAGINED?

The key takeaways from the Conference on the Future of Europe (COFOE) offer a roadmap to avoid the EU from becoming irrelevant or disappearing. The biggest issue that should be addressed is the need for unanimity in decision-making, which often means that currently actions are seen as “too little, too late”. Instead, expanded qualified majority voting, which is one of the propositions put forward by the COFOE may be an important alternative.

### THE EU'S TRADE AGENDA

The main factor affecting international trade is that the rules-based order is increasingly influenced by power-based relations. The EU needs to adapt its trade policy to ensure that it can shape this new order and not only abide by the rules set by others. To do this, we need to focus on four pillars:

- Preserving and strengthening the WTO
- Strengthening bilateral relations and new markets – The EU needs an international division of labour (supply chains) for resilience and growth
- Sustainability
- Improving the internal market, which will enable the EU to be stronger globally

### WARS, MACRO-ECONOMIC CRISES AND BEHAVIOURAL ECONOMICS: THE ROLE OF POLICYMAKING IN A CHALLENGING SCENARIO

The liberal world order is over, and this change did not happen overnight: the war in Ukraine has only accelerated pre-existing tendencies. The EU needs to protect the three pillars which underpin it - peace, prosperity, and Europe's welfare model – through energy independence and industrial production. In a period of high debt and inflation, central banks will have difficulty dealing with the new economic situation. While few governments have the will or fiscal space to deal with the challenges, there is a possibility to rearrange budgets to conduct citizens' behaviour towards some patterns in terms of health, for instance. Indeed, it has been shown that economic crises end in a rise of addiction problems, preventative policymaking will save governments money in the long-run and should form part of long-term strategies. The EU should also forge its own path, and not follow other actors (e.g. the USA) as models as they operate under different political and economic conditions.

### **FOSTERING LASTING RECOVERY AND GROWTH THROUGH STRONGER SUPPLY CHAINS**

The pandemic forced the EU to examine dependencies in supply chains. The EU is especially dependent for critical raw materials, and many of these strategic vulnerabilities are with China. We should not be dependent to such an extent on any one country. The European Commission is now putting forward proposals to mitigate supply chain risks for 137 products. To combat this further, the EU should expand its reach to other suppliers, whilst also striving to achieve its own goal of strategic autonomy in parallel.

### **WHAT DRIVES INVESTMENTS IN THE PHARMACEUTICAL SECTOR?**

It has been estimated that a delay of one extra year with the COVID vaccine would have cost 2 to 3 trillion € for the global economy, which underlines the link between healthcare and economics. It is very important that policymakers remain cognizant of the fact that investing in healthcare innovation will save them money. Indeed, EFPIA's research shows that Europe's healthcare industry is not in the best shape. In the last 20 years, Europe has seen its market share in global pharma decrease by 25 %. Pharma companies always think long-term and therefore need stable environments with the right incentives to grow. From that perspective, it can seem that currently, the EU is not prioritizing R&D and innovation enough, and its legislation could be updated. Furthermore, reimbursement systems are not homogeneous across member states. The current economic situation, where there is less money available, provides an opportunity to think creatively to address these issues and make sure we operate more efficiently in this sector.

### **CAN A BLUE COOLING INITIATIVE BUY MORE TIME AND SLOW DOWN SEALEVEL RISES?**

The 2020s are the most critical decade for climate change. Given that preventative actions will fail to stop global warming, there is now the need to look at ways to reverse the impacts of climate change. By spraying salt particles into the atmosphere (marine cloud brightening), the salt particles will create a cooling effect around the globe by changing the dispersion of water vapour in clouds. Brighter clouds will reflect more solar radiation back into the atmosphere, thus cooling down the atmosphere, preventing sea-level rise and ice caps from melting.

### EUROPE'S DIGITAL AGENDA

When it comes to digital matters, there has been a radical transformation of attitudes in Europe. There is now no question that policies for digital rules should come from the European level. European integration from the digital perspective will be accelerated but we need to consolidate it. This can be done through diversifying supply chains and raw material sources, especially when it comes to microchips, along with consolidating partnerships with the US. Going forward, digital twins will be used to test things in the metaverse but to ensure long term success, we need efficient and quickly adaptable policies (along with the DSA, DMA and Chips Act) based upon reliable energy sources in our changing global political economy.

### CREATING A SOVEREIGN EUROPEAN DATA SPACE

The European Data Strategy is a decision to create a genuine internal market for data where all actors will benefit from greater data use within society and the world economy. However, to build a sovereign European data space it is very important to understand which exact outcomes we want to achieve. Data needs to be controlled and properly stored. Today 90 % of data is managed by companies in the US. Digital sovereignty is related with economic growth protection. Therefore, we need to compete on a level playing field with the tech giants outside the European Union. As a data space is a combination of technical infrastructure and governance structures which should complement each other to enable Europe's goal of strategic autonomy, Europe needs a more contextual approach to data protection by focusing on data collection and data sharing.

### ENERGY SOURCES: HOW TO ENSURE SECURITY OF SUPPLY & AFFORDABILITY?

The energy crisis is a fundamental shift in the way that energy is supplied and traded on the European market. The EU has already responded with fundamental reform of energy markets which will include market correction mechanisms, infrastructural changes, and measures to ensure security of supply. This legislative package will operationalize forms of joint purchasing, measures to increase solidarity among member states in cases of scarcity, along with measures to increase the optimal use of gas terminals. The Commission has also taken measures to address price formation with a new proposed LNG index developed by ACER offering more transparency. It is hoped that these measures will be approved on the 24th of November at the next Energy Council.

As a sign of progress, the EU now has 110 billion cubic centimetres of LNG as opposed to 80 billion before. The EU has expanded partnerships with Norway and Algeria and signed MOUs with Israel and Egypt. While many consider that the EU is pushing back on its renewable targets by burning more coal and opening more LNG terminals, the Commission is also increasing the deployment of renewables, which are seen as are the only medium-term answer to the competitiveness of European infrastructure and to keep energy intensive industry in Europe. The Commission is also working on leading by positive example to increase public support for renewables in Europe.

### WHO SHOULD PAY FOR THE DEVELOPMENT OF TELECOM NETWORKS?

It can be said that cloud platform companies might be benefitting from both building their own networks to serve high value business customers while not having to pay to transport their traffic to outlying regions. However, when we talk about cloud service providers, and proportionally distributing costs, we also need to ask who this definition actually includes. Ultimately it is users who lead demand and who should pay. In Europe, there is a need for high margins to ensure investment in this sector and this is not currently being achieved. The EU Commission will also impose a cost on operators for energy consumption which needs to be distributed across the value chain.

It is not just about deploying networks, but also optimizing them – and the investment gap is currently estimated at 65 billion euros. If the EU is doing better than the US in terms of fibre optic connectivity, as its 5G mass is double that of the USA, the USA has more subscriptions. This shows that we do have good networks in Europe and that we are investing at pace. In terms of shifting the burden of investment to online platforms, South Korea is one of the main examples that can be looked at, and it is not a success story. There have been adverse implications from shifting the costs onto online platform providers in terms of lack of service, higher costs, and high litigation costs due to lack of compliance.

### THE SUSTAINABLE CONSUMPTION PLEDGE: GOING THE EXTRA MILE TOWARDS MORE SUSTAINABLE CONSUMPTION AND PRODUCTION

Although the EU Commission is legislating for sustainability in consumption, by businesses and in supply chains, change doesn't only happen when written in law, so voluntary actions are also necessary. It is from this that the Sustainable Consumption Pledge was born. It will be unveiled in 2023, after a year-long pilot. The reaction has been positive, with pledging companies focusing on the importance of empowering consumers to make more sustainable purchasing decisions. By taking the pledge, companies commit to identify their carbon footprint and to set measurable targets to reduce it, along with at least one other action:

- making efforts to identify their environmental footprint
- increase 'circularity' in their activities
- respect social sustainability across the company's supply chain

The pledge was presented to C-level representatives from some of Europe's most active non-food companies during the Summit.

### INCREASING EU COOPERATION IN THE INDO-PACIFIC

Both the EU and Indo-pacific are facing regional challenges. The EU should aim to avoid competition in this increasingly important region becoming a conflict. Instead, this partnership has to grow through mutual respect and cooperation. The Indo-pacific and Europe together account for 70 % of global trade. FTA negotiations with Indonesia should be concluded soon and an EU-ASEAN FTA remains a long-term objective of the EU. In the meantime, it is important to make progress on a sectorial basis along with improving connectivity and people-to-people ties.

The EU's Global Gateway Project and the ASEAN Connectivity Plan will require the input of the private sector. ASEAN is also inviting EU businesses to attend forums and seek new opportunities in the region.

Other notable opportunities include the Just Energy Transition Partnership, a G7 initiative which will support Indonesia's plans to transition out of coal along with the importance of civil society attached in these relations, especially young people. The EU will engage this and more in the upcoming Summit in Brussels celebrating 45 years of EU-ASEAN partnership.

### MINISTERIAL OUTLOOK ON EUROPE'S GEOPOLITICAL SITUATION

The EU should ensure that it united when it comes to sanctions, micro-financial stability and on military support to Ukraine. Democratic institutions need to remain resilient across the continent. An important way to ensure this unity is to remember that Ukraine is fighting not only for their freedom but also for our freedom and democracies. The Ukrainian economy is still functional but is shrinking. The support of European public and private partners is therefore necessary to ensure that Ukraine can survive this difficult winter. However, for other European member states, the energy crisis is the elephant in the room. Although we have made great strides for sustainability, Europe is still undeniably dependent on fossil fuels and there are still actions to be taken to ensure security of supply. In this sense, the Mediterranean Basin holds great potential to helping Europe overcome its short-term energy problems. Finally, it is important to strike a very sensitive balance between the fight against inflation while also avoiding a downturn and going into a recession in Europe, which will be a difficult task for the ECB and financial regulators.