

AN INDUSTRIAL POLICY FOR EUROPE?

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Italy's re-industrialisation struggle illustrates Europe's woes

Italy's battle to rescue its ailing industry has become emblematic of Europe's economic woes, especially in the south. But a government campaign to save national firms from bankruptcy seems to be gaining traction, also thanks to backing from Pope Francis.

The last few weeks have brought a spate of bad news for Italy's ailing iron and steel industry.

Both the Ilva plant in Taranto (Apulia) and the Acciai Speciali Terni (AST) plant in Terni (Umbria) faced bankruptcy or a foreign takeover, putting thousands of jobs at risk.

The process may seem inexorable at first. As in many other European countries, Italian manufacturing in sectors such as textiles and steelmaking have either been shifted to China and India, or faced with foreign buyouts, often to the detriment of product quality and – of course – employment .

But some steps recently taken by Matteo Renzi's government may help reverse that trend.

In November, the government told Italy's state lender, the Cassa di Risparmio di Terni e Umbria (CRU), to step in to rescue the Ilva steel plant.



New public money for the steel sector was injected in CDP to prevent Ilva from falling into ArcelorMittal's hands.

80.1% of CDP is held by the Italian government. A broad group of bank foundations holds 18.4%, while the remaining 1.5% is held in treasury shares.

Crucially, the CDP can rely on solid financial resources as it manages the greater part of Italian citizen's savings, which represents its main source of funding.

Pope Francis: 'no family without work'

The sense of urgency is widespread in the Peninsula and has reached unexpected corners of Italian society.

Only days ago, Cardinal Angelo Bagnasco, an influential representative of the conservative group in the Catholic Church, said "Italy must save its industry and Ilva".

Last month, Pope Francis met with hundreds of laid off workers from the ailing

Meridiana airline, saying that taking action to save jobs in industry should be considered as a moral duty.

"I hope that a fair solution may be worked out, that considers above all the dignity of the human person and the essential needs of the families concerned," the Pope said.

On many occasions, Pope Francis has called for efforts to protect the environment, ensure decent work for all, and provide protection for the family, which he says is an essential part of human and social development.

"Please, I appeal to all those with responsibility: no family without work!" Francis said in comments reported by Vatican Radio.

Manufacturing moves

The Pope's attention to social issues has undoubtedly helped focus minds.

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But this may be insufficient. For years, Italy has struggled to maintain its industrial base. And even the country's greatest industrial victories can turn into defeats.

Take the automotive sector. 2014 marked a turning point for Fiat, Italy's leading automaker and national champion, when it closed a deal to take over America's ailing brand Chrysler.

Initially celebrated as a national triumph, the Chrysler takeover also quickly revealed an ugly side. Gradually, Fiat is leaving the country. The new merged group, Fiat Chrysler Automobiles (FCA), has its new legal head office in the Netherlands, and fiscal residence in United Kingdom. Following the merger, the company extended its lay-off schemes to all its Italian plants.

These losses may at times be compensated elsewhere. According to research by Prometeia and Intesa San Paolo Bank, Italy's exports have risen over the last few months, especially in the pharmaceutical and automotive sectors.

These were also helped by government reforms. "Thanks to the job labour reform, to the 'Sblocca Italia' law and the reform of the Public Administration recently approved, Italy is on the right track," said Giorgio Squinzi, the President of Confindustria, the Italian employer's organisation.

However, domestic demand remains weak. After seven years of economic slowdown or recession, many enterprises still suffer from the credit crunch. As in the rest of Europe, Italy struggles to promote a friendlier business environment and attract new investment.

"After a long period of austerity, our challenge is to promote jobs and recovery," Squinzi said, pushing for reforms such as the Job Act to be adopted before new elections are held.

Italians take lead at European level

At the European level, Italy has played a leading role in promoting a re-industrialisation agenda.

After years of neglect, industry is enjoying a form of renaissance – at least in terms of perception by public opinion and politicians.

During its six-month stint in the second half of this year, the Italian Presidency of the EU Council has tried pushing industrial

policy as much as possible.

Efforts culminated with the adoption of Council Conclusions on 25 September which aimed at mainstreaming industrial competitiveness in all other policy areas, putting industry back on the political agenda.

The first step came in 2012, when the Barroso Commission set out to increase the industry's share of EU GDP to around 20% by 2020, up from little more than 15% currently.

Antonio Tajani, Italy's former Commission Vice-President in charge of Industry and Entrepreneurship, has played a key role in promoting the agenda.

His approach included horizontal actions, such as administrative simplification, the full implementation of the late payments directive across Europe and better aligning energy and climate policies with re-industrialisation goals.

Tajani also pushed specific interventions in individual sectors deemed important from the point of view of employment and competitiveness, including the automotive industry, steel, space, tourism etc.

A key part of Tajani's plan relied on innovation, in particular Key Enabling Technologies and raw materials, where Europe overwhelmingly relies on foreign suppliers. He also promoted the international dimension by launching the Missions for Growth initiative, which helped SMEs develop their activities abroad.

Late payments

Combatting late payment in commercial transactions was among Tajani's key battles, one which is now being picked up by the new Juncker Commission.

Last Tuesday (18 November), the Commission's Directorate General for Enterprise and Industry hosted an event about the directive following its transposition deadline in 2013. The event was attended by Tajani, who is now Vice-President of the European Parliament, and aimed at raising awareness among SMEs about their new rights on late payments.

Since the new law came into force, average payment durations between businesses have shrank from 52 days in 2012 to 47 days in 2014. And average payment durations from

the public sector shrank from 65 days in 2012 to 58 days in 2014.

However despite these improvements, Europe's businesses are still at risk of failing due to unpaid invoices. The cost of late payments stood at €360 billion in 2014, an increase of 10 billion since 2012.

New Commission picks up the baton

In the Juncker Commission, Mr. Tajani has been replaced by the new Polish Commissioner Elzbieta Bienkowska, whose portfolio is much wider, encompassing the Internal Market, previously managed by French Commissioner Michel Barnier.

Her impact on industrial policy will very much depend on how the Commission President will interpret her role. Developing Europe's industrial base and integrating it with a fully-fledged Single Market is one of Juncker's 10 priorities. He very much insisted on the need to complete the internal market in products and services and make it the launch pad for our companies and industry to thrive in the global economy.

According to Mr. Juncker, the strategic sectors with high-value jobs where Europe should maintain its global leadership is the automotive, aeronautics, engineering, space, chemicals and pharmaceutical industries.

Perhaps the 20% target set by the previous Commission will seem a bit overambitious to Juncker. Yet, it sent out the right signal that industry will remain key for Europe as it seeks a new era of sustainable growth.

As with broader economic issues, approaches to industrial policy remain very different among member states.

Germany's export-driven economy continues to be the single biggest industrial nation in Europe, both in terms of share of the economic output and total industrial gross value. Austria and some Eastern European countries, namely the Czech Republic, Hungary and Slovakia, are also performing well, largely due to lower labour costs and, sometimes, favourable tax regimes.

Italy and France, for their part, rank among the large manufacturing countries that are still struggling to prevent their industrial base from eroding.

Photonics: fostering a new wave of industrial innovation

In order to move forward its plans for an ‘industrial renaissance’, the European Commission has to focus on creating a framework that will encourage the new industries of tomorrow, like photonics, writes Michael Mertin.

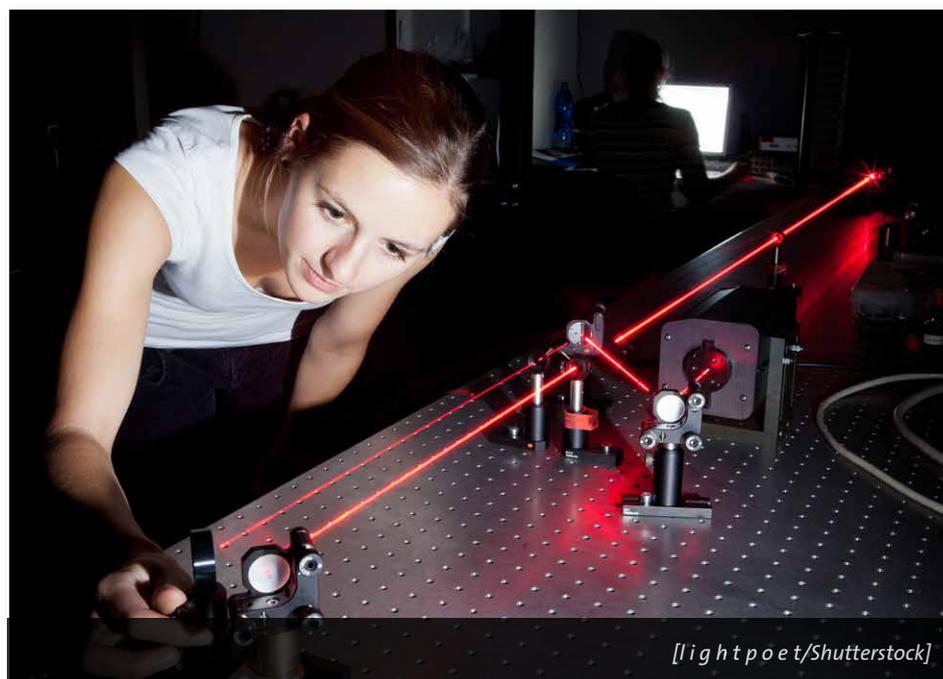
By Michael Mertin, President of Photonics21, a European technology platform.

Following the worst recession for over seventy years, Europe’s leaders have declared the ‘re-industrialisation’ of the European economy a major priority to bring it back to growth. Thus, the European Commission constantly unveils steps how to support a European ‘industrial renaissance’, including sweeping reforms in several sectors, such as energy, transport and digital communications networks, and the completion of the European single market.

The ultimate goal of these initiatives is to reach a level at which 20 percent of GDP will be derived from industrial output by 2020. That is why industrial value creation must be recognised as a cornerstone for Europe’s economy to take an active and prospering role within this globalised world.

This is a positive and highly ambitious task and we need to ensure that the EU strengthens innovation in industry sectors. In order to foster industrial innovation the European Commission has to focus on creating an appropriate framework. This will encourage the new industries of tomorrow, such as the photonics industry which plays a leading role in the transformation of our industrial base, to grow more sustainably.

Photonics encapsulates all technologies of emitting, detecting and processing light,



[lightpoet/Shutterstock]

ranging from sophisticated, ‘futuristic’ products such as lasers, to common everyday items such as domestic lighting. The photonics industry contributes as much as 3 trillion euros of EU trade, directly provides around 300,000 jobs, and indirectly affects another 30 million jobs – which is exactly why the European Commission designated photonics to be one of the key enabling technologies within the Horizon 2020 research programme.

Photonics as a key enabling technology has the potential to facilitate the transformation process in collaboration with other technological disciplines in order to create solutions for five megatrends: The trend of industrial automation is associated with a growing demand of customisation and is supposed to play an even more dominant role in the future market place. Growing connectivity describes a trend that is going to experience exponential growth of data transfer volumes in the years ahead. Intelligent infrastructures build the core of sustainable cities in order to provide clean water, green energy, and smart facility management. They are an essential element of the megatrend urbanisation. Demographic change and healthcare are the last two of the five megatrends to which photonics can contribute cutting-edge solutions to address both existing and future challenges, e.g. in the field of diagnostics or

in the establishment of new products and markets that are demanded by an ageing society.

The question, however, is how we can make this happen? One approach would be for Europe to create an industrial-friendly environment and mindset that allows private investments to further accelerate the innovation and technology-driven global economy. This includes creating free global trade, pivoting toward a market economy, and reducing the amount of regulations. These three elements can currently be identified as the main roadblocks that force the industry to either hit the brakes or deviate from its original route instead of picking up speed and staying on course. It is therefore necessary to remove such roadblocks and to build bridges between academic innovation and industrial applications and investments. A greater uptake of Public Private Partnerships (PPP) does indeed have the means to overcome gaps between innovation and the market. With regards to the photonics industry, our recently established Photonics21 Public Private Partnership will play a strategic role in achieving our goals.

Right now, over-regulation in several areas seems to be the major element that needs to be addressed in this context. The

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industry requires smart regulations that streamline global supply chains in order to help European photonics companies to strengthen their competitive advantage. It is furthermore necessary to establish a secure and reliable regulatory environment that encourages investments for innovation and production in Europe later on.

The REACH framework is a good example of what can be done to create a predictable environment that does not deter investment. Labour market regulations

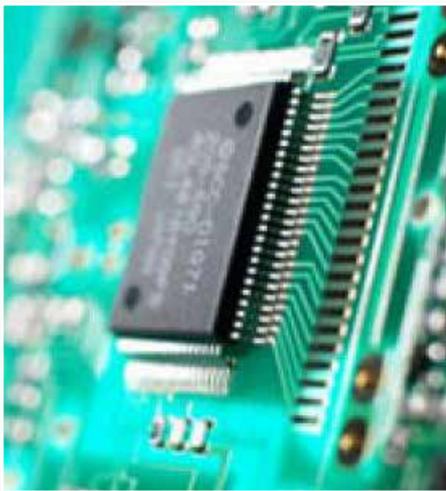
in some European countries also do not support investments, especially not in production and new job creation. Public funding of research and development also plays a crucial role in Horizon 2020, specifically when it supports application-oriented, problem-solving research. Hence, stakeholders should engage in seeding investments that nurture and grow the industry in order for it to produce goods and services that can later be harvested; returning not only economic incentives but increasing trust in the industry as well.

Moving forward, we will encourage and work with the new European Parliament and Commission, as well as with the Member States, to drive forward and increase European industrial output by 2020. Resources need to be allocated in a smart way. Reforms must facilitate and not deter the industry from innovating. The photonics industry is ready to pick up speed and play its part in promoting Europe's prosperity, growth, and industrial future!

Michael Mertin

Commission looks to trade policy to protect key tech industries

The new EU executive will continue to focus industrial policy on so-called key enabling technologies, but is seeking to protect European industry from unfair foreign competition.



Key Enabling Technologies (KETs) cover six areas underpinning a range of products in strategic export markets,

including the security, health and energy sectors. They include nanotechnology, micro-nanoelectronics, photonics, advanced materials, industrial biotechnology and advanced manufacturing.

In June 2012, the Commission tabled a strategy to boost the industrial production of KETs-based products, aiming to keep pace with the EU's main international competitors, restore growth in Europe and create jobs in industry.

The global market volume in KETs-based products was estimated to be worth €646 billion during 2010 and is expected to increase by more than half to €1 trillion by 2015, representing almost 10% of EU GDP.

A High-Level Group on Key Enabling Technologies (HLG) was founded by the EU executive in Brussels on 27 February 2013.

Getting KETs past the 'valley of death'

"KETs directly and indirectly boost competitiveness and generate jobs along strategic European value chains creating growth and wealth in the economy," according to a HLG manifesto published over the summer.

But the document also emphasised that the EU's major weakness lies in translating its KETs knowledge-base into goods and services, creating a so-called valley of death in the innovation chain.

The manifesto claimed that whilst other global regions direct 70% of research spending to activities that are close to

markets, in the EU, two-thirds of research funds are spent on basic research, where there is no directly applicable commercial application to the science.

"Europe should urgently rebalance its public funding toward technological research and innovation," the manifesto urged.

It asked the European Parliament to prioritise KETs politically by incorporating them into policies and to use public procurement to accelerate the uptake of European KETs-enabled innovative products.

Now that the new European Commission has taken office, "We need to ratchet up the pace of implementing measures," according to Ulrike Rabmer-Koller, the vice president of the crafts and trade division of the Austrian Chamber of Commerce, who sits on the HLG.

A Commission spokeswoman points out that KETs gained in the setting of the Horizon 2020 budget, with a dedicated KETs budget of almost €6 billion, including for projects that combine different KETs, and several calls for KETs pilot lines have already been launched in the first work programme.

The rules have also been changed to make it possible to combine Horizon 2020 funds with Structural Funds.

"'Investments in innovation' is one of the key pillars in our reinforced industrial policy. We know the importance for industry of continuous investment and development of new technologies to drive

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industry and compete internationally. Stimulating investment in new technologies is at the core of the mandate and priorities of Commissioners Elzbieta Bieńkowska and Carlos Moedas,” the spokeswoman added.

International concerns and competition

But it is the international markets that are causing the most concern for KETs.

A report published last year pointed up the international distortion in KETs with other countries attracting KETs through anti-competitive behaviour.

One issue that rankles is the ability of other countries to attract KETs business through favourable business conditions and tax perks.

Specifically, there is evidence that some measures implemented in the US and in Asian countries result in a distortion of the international market for KET-related industries by creating incentives and making their country attractive beyond pure market conditions.

“Indeed, there have been cases in which EU-based KET companies have invested in third countries, simply because the incentives were too attractive to turn down and the investment was less risky,” the Commission spokeswoman said.

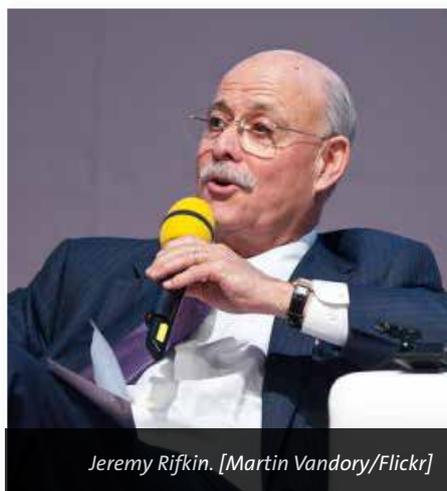
“We need a level playing field in the area of investment, trade, IP-protection, public procurement and legal certainty. The forthcoming HLG-report will address some of the issues,” Rabmer-Koller says.

The Commission spokeswoman told EurActiv that the EU executive is working make sure that – when negotiating different trade agreements, at bilateral and multilateral levels – it achieves “a favourable trade environment and a level playing field for KETs in full compliance with World Trade Organisation (WTO) rules.”

“The Commission is also exploring how trade policy can better support the KETs policy, notably with regard to the reciprocity needed to ensure an international level playing field with respect to technology transfer,” she added.

Jeremy Rifkin: Digital revolution could bind China to Europe

Europe needs to capitalise on the Internet of Things to pave the way to the zero-marginal cost industrial economy of the future, according to US economist Jeremy Rifkin, who says China is willing to join it on the journey.



Jeremy Rifkin. [Martin Vandory/Flickr]

*Jeremy Rifkin is an influential American writer whose best-selling *Third Industrial Revolution* arguably provided the blueprint for Germany's transition to a low-carbon economy, and China's strategic acceptance of climate policy.*

*In *The Zero Marginal Cost Society* – published this year – he describes how the emerging Internet of Things is speeding us to an era of nearly free goods and services, precipitating the meteoric rise of a global ‘collaborative commons’ and the eclipse of capitalism.*

He spoke to EurActiv's Jeremy Fleming in Brussels on a recent trip to Brussels.

How does your new book move your ideas forward?

In 2010, when I wrote the *Third Industrial Revolution* what was not on the radar was the Internet of Things. That is why my new book moves things forward. What we are beginning to see is that a great paradigm shift happens when you have new forms of communications and technology, there is a general technology platform to change the way we approach economic activity.

The first industrial revolution featured the telegraph, coal and the steam engine; the second saw centralised electricity, the telephone and the motor engine. The third will see a new convergence of renewable energy and transport. We had the energy in place, but the internet of things is the architecture for that revolution to really move forward.

We are going to be living in two economic systems: part market capitalist, part collaborative commons; part sharing economy, part exchange economy. What digitisation allows us to do is to reduce the middlemen and reduce inefficiencies. Centralised telecoms, fossil fuels, carbon-derived energy and internal combustion transport have already maxed out their productivity, they are things of the past.

Where do you see the real evidence of your new low-marginal cost model of economy?

There are three billion people on the Internet. They share music, commentary, social media and so on. They have all done something commercial online. This means that there is massive scope for scaling up at zero or low marginal cost. What is the cost of creating a video and posting it online now? This is causing massive disruption of industry: look at the music industry following the impact of Napster. The same is increasingly becoming true of broadcast television, newspapers and book publishing.

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Music, film and books are all intangible products. Where is the evidence that such a low-marginal model can apply in the physical industrial sector?

People always said that the automobile sector would never cross the ‘firewall’ into the zero marginal. But look at the increasing phenomenon of car sharing amongst younger generations, and the scope for GPS logistics to revolutionise public transportation systems.

Chinese President Xi Jinping has elaborated on Beijing’s plans for a Silk Road Economic Belt initiative, normally associated with Asia. Why do you say there is a strong European angle?

Last year I met with many Chinese government leaders there. I was there four weeks ago and am beginning to work closely with the Chinese government. I am very bullish about what’s happening there. China is joining Europe in making a commitment to this [zero-marginal cost] architecture. China is now clear that if you can manage the digitisation process, then you can also move to zero marginal cost.

China and Europe are each other’s major trading partners. Eurasia is a contiguous land mass – except for a little blip around Turkey. What happened in the past few months is that [Chinese leaders] Chairman Xi and Premier Li are calling for a new Eurasian Silk Road that will connect everything from Shanghai to the Irish Sea. This is part of a bold new story initiated by the leaders who have had serious discussions with Berlin in the past few weeks, with the aim of connecting the two continents with a high-speed rail link and to creating a renaissance of the ancient Silk Road.

I have suggested that high speed rail is just the beginning. That with the EU moving towards big data and the Internet of Things, and with China doing so from the other side, it does not take much to see that a high-tech, digitised platform could link the two. In the end, we could create

a technological platform for a commercial space that will take Eurasia into a new era in history of reduced marginal costs.

At a moment when the EU is negotiating a huge trade deal with the US, why do you believe that the same does not apply to the EU-US relationship?

The shale revolution in the US is a devil’s bargain, which has created a shale gas bubble. All the investors have bought the products, but the shale deposits are gathered in an effective “sweet spot” that will be mined after a few years. The effect has been a downturn in energy prices, but by 2019 those prices will start to rise again. My fear is that the US, Canada and Australia are all relying on the old energy and these countries could be second-tier economies as a result by 2030.

What advice for pushing industrial policy would you offer the new European Commission?

I worked closely with [former industry Commissioner Antonio] Tajani. Brussels is a complicated place: a series of networks. Getting things done requires getting agreement on a number of levels: subsidiary level, regional levels, national levels before finally getting to the EU stage. You need to get agreements on several levels to move forward.

We are now at a critical turning point. The next stage should be quick implementation of the single market through the Internet of Things. This will put the unemployed back to work, because a 25-year model for transforming from nuclear and fossil fuels to renewables is a big job, you have to retro-fit existing infrastructure. That is highly labour intensive, and with associated work will involve the employment of hundred of thousands as a multiplier across many other industries.

The only question is where’s the money. I can show them where the money is: we spend 750 million euros each year patching up the old infrastructure, but there is no more productivity we can eke out of that system.

Germany’s Industry 4.0 in full swing, despite dissent from unions

Companies, trade unions and politicians are working together to turn Germany into an industrial centre for the digital future. But on the day of its founding, Industry 4.0’s initiators are divided over its opportunities and risks. EurActiv Germany reports.

Industry is the “jewel of the German economy”, said Sigmar Gabriel on Tuesday (25 November) in Berlin.

Americans and British laughed at German politicians ten years ago for remaining so loyal to industry, he recalled. But Gabriel praised industry as the reason why Germany is in better shape than many other national economies after the financial crisis.

To ensure that industry remains strong in the future, the Economic Affairs Minister, along with chairman of the industrial metal union IG Metall Detlef Wetzel and President of the Federation of German Industries (BDI) Ulrich Grillo called for the creation of an alliance for the “Future of Industry”.

“As a competitive location for industry, we are faced with immense challenges which will deeply change the entire economy,” Gabriel pointed out.

This includes the digitalisation of the economy, for example, the increasing threat of a lack of skilled workers and obstacles in the implementation of the Energiewende, explained the Minister.

Gabriel calls for more investment

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Comparatively low investment in Germany and often low acceptance of industry and its projects are further problems Gabriel indicated, saying as a result industry is beginning to migrate to other markets.

“The alliance should be a concerted action to ensure Germany remains a successful industrial country in the 21st century,” the Social Democratic Party’s (SPD) leader said.

The project would include four working groups on various issues in the branch: increasing industry acceptance, strengthening investment, the future of industry and industry-oriented services as well as organising future value-chains.

A foundation is also expected to provide the industry alliance with scientific support.

BDI president Grillo hopes to give the German economy a boost in the direction of Industry 4.0 – a term describing the fourth industrial revolution, driven by the internet, allowing the real and virtual worlds to further intertwine toward cyber-physical production processes.

The goal is the development of an intelligent, networked production, in which machines and products almost communicate with with one another.

“Digitalisation offers enormous

opportunities,” said Grillo. In the United States and Asia, for example, “powerful business alliances have been created” to reap the benefits of Industry 4.0, he pointed out.

“We must simply be more innovative than our competitors,” the BDI president emphasised.

Grillo called on politicians to create guiding framework conditions in order to support private investment in industrial development.

Broadband expansion was also something Grillo may have in mind. For months, economic critics have bemoaned a lack of standards for data transfers in industry, which are under the supervision of the Federal Office for Information Security (BSI).

According to a recent study from Staufen Consulting, eight out of ten companies feel abandoned on the issue of Industry 4.0.

Industry 4.0: IG Metall fears employee reductions

Meanwhile, IG Metall chairman Wetzel warned against the “dark side” of Industry 4.0. The impending digital revolution holds the risk of a “strong density of performance and new ways to monitor and measure performance,” he said.

According to Wetzel, the economy could increasingly become dependent on new and more flexible forms of working such as “click workers” and “cloud workers”. Such jobs are not paid as well and are hardly socially insured.

In the worst case, Wetzel predicted a massive reduction in employees. “Every second job is at risk; we do not even know what kind of an automation wave is really in store,” the IG Metall chairman said.

We must be sure that people continue to mould technology and that technology does not come to control people, Wetzel emphasised.

It is not yet clear, whether the new industry alliance will discuss political questions. At the press conference on Tuesday, Gabriel and Grillo made it clear they intend to do so, attempting to avoid the impression that the industry alliance would purely be a club for debating. But Wetzel said he hopes to start by addressing the “big questions” and setting the course for industrial policy.

A constituent meeting of a high level group, consisting of founding members and other partners, is planned for early 2015. Afterwards, the alliance’s initiators say its working groups will begin by developing a consistent agenda of medium and long-term prospects for industry’s future.



Bruno Liebhaberg: EU should re-think liberalisation of network industries

Providing quality services at affordable prices should be the guiding principles of regulation of network industries, according to Bruno Liebhaberg who urges the Juncker Commission to reconsider the EU's approach to liberalisation in sectors such as telecoms, railways and energy.



Bruno Liebhaberg is Director General of the Centre on Regulation in Europe (CERRE), an independent think tank specialised in network industries. He spoke to EurActiv's publisher and editor, Frédéric Simon.

CERRE has published a report with a number of recommendations to the European Commission regarding the regulation of network industries. What are your conclusions?

Firstly, there is an urgent need for the

new Commission to reassess the results of liberalisation, opening to competition and internal market objectives.

When Europe decided to go down the path of opening network industries to competition, clearly the objective was to achieve more efficient, innovative services and affordable prices for consumers. The liberalisation process was sometimes carried out on the assumption that competition would bring about efficiency and welfare gains. This assumption proved correct in a number of cases (for example, in telecoms), but in some sectors (for example, postal services), it seems in retrospect that policymakers might have overlooked that much of these gains would likely come from reduced labour costs. It would be wise to avoid this misstep in the current round of debate around the internal market in network industries.

Sometimes, the tools for achieving a number of results – liberalisation and market opening – became objectives in their own right. We now see the results of this.

The facts are there. We are far from having optimal services at affordable prices in all network industries across the EU. In addition, in a number of these sectors the environment is not geared to incentivise operators to make the large investments crucially needed in, for example, energy generation and infrastructure, electronic communications' networks or rail transport.

Our report to the New European Commission – prepared by a group of 18 top-level academics and published on 18 June – recommends to the new College to make a thorough assessment of the situation in Europe's network industries, based on the last 20 years' experience.

The questions to be addressed are straightforward: 'What has been done? What has worked? What has not worked? Why has it not worked?'

In Britain, the rail transport sector – and the 'unbundling' of infrastructure and services – is often cited as an example of liberalisation gone wrong. Is this a fair assessment?

The problem in Britain has not been the failure to provide attractive services – traffic has boomed – but the failure to control costs, and unbundling has been a significant factor here.

There has been, however, intense competition for British franchises, whereas few countries have seen much competition in the passenger market. So it is probably franchising in a different way – (vertically integrated franchises or deep alliances with Network Rail, the infrastructure manager – that is the answer for Britain. But the solution will vary with circumstances.

Going beyond the UK, what is absolutely necessary for competition to take place is to ensure that there are no barriers to entry in all member states, which is not currently the case. This is because there are shortcomings in regulation processes and systems. More concretely, fees for access to infrastructure should be set by the infrastructure manager with the approval, implicit or explicit, of an independent regulator. The manager should obviously be working independently of the incumbent operating company. This is the case in the UK, but not always in other member states.

In France, for instance, the Cuvillier Law, which has led to industrial action including a long strike in the rail sector, initially included a provision that ARAF (the regulator) would be stripped of its current power to approve the price set by the infrastructure manager (currently RFF, tomorrow SNCF Infrastructure), to allow rail operating companies, including potential competitors to SNCF, to have access to the tracks.

The role of the regulator in examining the efficiency of the infrastructure manager and approving track access fees is crucial. It is an essential element of the EU's railway packages.

If regulators need not any more validate access prices to the infrastructure of natural monopolies and if, simultaneously, no thorough unbundling is required, how do you expect competition to increase, services to improve and prices to be kept on check?

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What lesson do you draw from the French case?

The message is straightforward. Achieving competitiveness on the basis of efficient, quality services and lower prices requires a delicate balancing act. It demands a combination of structural and institutional measures, and clearly set responsibilities for each player involved, including regulators. The latter must be independent, accountable and efficient. Finally, the path chosen to open the market to competition is also critical.

The difficulty is that all the above conditions must be achieved simultaneously. The rail sector in the UK is a good example. Britain has one of the most sophisticated and most experienced rail regulators in Europe. An expert regulator is, however, not sufficient.

Would you recommend coming back on the unbundling when it comes to rail?

We are realistic. In the CERRE Regulation Dossier to the New European Commission, we clearly recommend not to insist on unbundling of ownership. There is no strong economic argument justifying doing so. If it works in a number of countries, fair enough. But local situations, e.g. in France or Germany, cannot be disregarded.

Nevertheless, it is important to fully ensure that the part of an integrated rail transport incumbent that deals with infrastructure management operates in a way that market access is guaranteed to all, including new entrants, on equal and fair terms. That does not necessarily rely on changing the existing ownership structures.

Turning to the telecoms sector, the 1990s directives on unbundling were widely praised as something that worked well. Do you agree, or should some nuances be made?

In the last ten years, regulation of

telecom has had a number of positive effects. It is a sector where the combination of liberalisation and regulation has worked, with decreasing prices for consumers and new, innovative services.

However, the sector has changed dramatically since the 1998 Directives (revised in 2002) were introduced. Think of the wave of change brought about by OTTs, or the success of cable networks. Changes are therefore required to adapt to the new landscape.

Overall, we think that a more dynamic view of regulation is warranted, paying particular attention to the long-term implications of regulatory interventions, and that a more symmetric application of rules between competing platforms and services should apply.

I will give you some other specific examples of where we think changes are needed. Firstly, the current access rules need to be updated. This involves, for example, fully reflecting the development of NGA networks as it is happening, with a leading role being played by hybrid copper/fibre networks and cable networks. It also requires taking into account the possible trade-off between low prices and higher investments, and looking more closely at how the availability of multiple wholesale access products impacts the incentives to invest for both the incumbent and the alternative networks.

Secondly, to ensure a level-playing field between incumbent operators and alternative network providers, it could be considered that, for instance, activations of new lines and repair services could, instead of being provided by the incumbent personnel, be outsourced to external technicians certified and trained by the incumbent. This would reduce the risk of non-price discrimination and improve the condition for effective competition. NRAs should become active in this direction when there is evidence of such non-price discrimination by incumbent telcos.

Thirdly, the principle of technological neutrality should be applied more pervasively to ensure there is a true level playing field. In practice this means that the

same rules should apply to all alternative platforms (cable including), and to all competing services, independently of the platforms on which they are provided. OTT services and legacy communication services should therefore be treated the same when they are functionally substitutable for each other.

Fourthly, on spectrum, the incoming Commission should lay the groundwork to make harmonisation of spectrum policies feasible in the medium to long run. There is also still considerable differential treatment among mobile firms and broadcasters, which is difficult to sustain and leads to several technical and economic inefficiencies.

Finally, we think that the Digital Agenda 2020 targets are not very helpful in their current form. The economic case behind some of the targets is not proven and not much direction is given on how to reach the targets. A review of those targets would therefore be warranted.

On next generation networks, the incumbent operators argue, that by forcing them to grant competitors access to their own network does not provide them with an incentive to invest in more high performance networks. Is this oversimplified, or do you agree with this analysis?

Access to essential facilities and bottlenecks, such as last mile connections, has been a key pillar of the telecom reforms since 1998. Traditionally such essential facilities have been owned and operated by former national monopolists. The changes in the telecom landscape in the past 10 years means that today different platform compete with each other. The issue today is to ensure that all competing platforms, including those of the former monopolists and cable networks, are treated the same, so as to ensure there's a level playing field where competition and investments can thrive.

The issue of access to next generation networks needs to be approached from this perspective. Different approaches to this

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problem have merged in Europe, generating different results. The right approach for one country will crucially depend also on the local conditions and consumer preferences.

The CERRE Dossier does not express a preference for one approach over the other, but sets out what principles should be common to all approaches to the regulation of access for next generation networks: a level playing field between competing platforms, a regulatory framework that gives the right incentives for investments to all competitors, and a more dynamic view of regulation which takes fully into account the potential trade-offs, at least in the short-term, between low prices and investments.

The new rules on roaming make things easier when you travel abroad. You do not have to choose, you know you have a price ceiling.... Is it not easier for the consumer?

We do not see any economic rationale to what is happening for roaming. Of course, as consumers, we are happy; we can all go on holidays this summer and we'll be able to make and receive calls at lower prices.

However, the EC Regulation of roaming prices at the retail level requires a sound justification to remain in place. In its present state, we think that the European Commission is not following its own principles, for example on proportionality of intervention, evidence-based policy making, and relying on competition as much as possible.

It is easy to understand why capped retail roaming prices are popular, but we see this regulation as an overly interventionist measure with possibly negative overall effects for consumers. Firstly, retail regulation should be the last resort only when wholesale regulation and the promotion of competition alone cannot fix the problem. Fixing retail prices inhibits competition. In this sense, at the wholesale level, we think that unbundling requirements of roaming services at the wholesale level, as provided for by the so-called Roaming III Regulation, appears to be a more appropriate policy.

Secondly, we think that a proper

evaluation of such a regulatory intervention makes it necessary to take price effects in related markets into account. Would we as consumers still accept low roaming prices if this meant that the prices of domestic calls would go up? This type of analysis, to our knowledge, has not been done.

The fibre question is often cited by the telecom operators. What is your view on that particular market? Is ownership unbundling helpful?

As I said before, you have to look at the local conditions of each market to assess what is the best approach. The CERRE Dossier does not express a preference for one approach over the other, but sets out what principles should be common to all approaches to the regulation of access for next generation networks: a level playing field between competing platforms, a regulatory framework that gives the right incentives for investments to all competitors, and a more dynamic view of regulation which takes fully into account the potential trade-offs, at least in the short-term, between low prices and investments.

Centrally planned economies, like China, find it easier to do large-scale investments in heavy network industries. Does this not teach us a lesson in Europe as to the merits of planification, or maybe even ownership?

First of all, you have to recognise the differences in the starting points and economic conditions. In Europe we have had universal coverage for network services for many decades. This has given us, historically, an advantage, but it also poses the problem of financing costly upgrades. China, which started from a very different situation, can move straight to next generation infrastructures. This is cheaper than having to upgrade existing ones. In addition, China's economic growth has benefited all sectors by allowing huge investments, including in network industries, at a time when Europe's economies have slowed down considerably.

More importantly, we have a system of rules in Europe which is built on democracy and freedom, market economy, a strong sense of solidarity and a special relationship to the environment. These four sets of features are the pillars of the 'European model'. Therefore, many aspects of the Chinese approach are simply not applicable to Europe.

The lesson from a market like China that we can, however, take on board is the value of having a big, seamless internal market. We need to continue to build Europe's internal market so that the benefits from economies of scale and scope can be increased and shared among businesses and consumers in Europe. In order to achieve that, the Commission has to take a lead to ensure harmonization and consistent implementation of rules.

Do you see the next Commission adopting a new political orientation towards network industries that could act as a guiding principle for all of them?

We would certainly encourage the new Commission to do so. As we say in our recommendations, the incoming Commission has to build on Europe's 20-year experience with the liberalisation of network industries, while having the responsibility to adapt the existing framework to take into account of what has worked well and what has not done so. We expect the incoming Commission to embrace this task, starting in most network industries with an objective assessment of the pros and cons of the current approaches in the light of a more dynamic view of the regulation in those markets.

It will be interesting in this respect to see the stance that Vice-President Timmermans, in charge, among others, of the Better Regulation agenda, takes on the regulation of network industries.

We think there are some clear areas for improvement across all network industries. For example, in most network industries, EU-level regulatory action should now focus

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on simplifying existing rules and ensuring proper implementation and enforcement rather than introducing new rules.

There is also scope to improve the way rules are adopted at the European level. In our Dossier, we note that the growing convergence between sectors should lead to more systematic cooperation and possibly to reorganisation of those DGs involved in the regulation of network industries.

In this respect, the new structure of the Juncker Commission, with seven Vice Presidents overseeing the work of all other Commissioners, seem to go in this direction. The Commission's ability to propose to the Council and to the Parliament policies which are integrated, consistent, and clear

to understand, and then to communicate these policies to the stakeholders and the general public will also depend on how well this new structure responds to the need for greater cooperation and coordination among Commissioners.

Why do you think Barroso did not do this? He had two mandates, although you could argue that for the first mandate, he did not have internal knowledge of the Commission. But after almost 10 years, could he not have done it? What is your recommendation to the Juncker Commission?

I do not think that looking backwards would help at this stage. We urge the new

President and his colleagues to realise that if quality network industry services are not provided to all at affordable prices, unsatisfied users and consumers will also be frustrated citizens.

And that, as such, good regulation of network industries is part of the public face of good governance. It is politically loaded and not just a technical dossier to be left to civil servants and industry experts. If President Juncker's ambition is to take the EU forward and to reweave the relationship between the citizens and the institutions, we do hope that our message and the analyses and recommendations contained in the CERRE Regulation Dossier to the New European Commission will be listened to and carefully considered.

EU's revamped industrial policy dogged by 'better regulation' dispute

An overhaul of EU industrial policies scheduled for early next year will come under intense scrutiny as stakeholders squabble over related initiatives aimed at simplifying European laws and assessing their wider impact on business and society.

Elzbieta Bienkowska, the Polish EU commissioner responsible for the internal market, industry, entrepreneurship and SMEs, said she will launch proposals in early 2015 "to support the competitiveness of European industry".

In an interview with EurActiv, Bienkowska stressed that the European



Industrial policy is on the EU agenda. [Wojtek Gurak/Flickr]

Commission's policies "have to be overhauled".

"Promoting competitiveness, which is the overarching aim of industrial policy, must be woven into the fabric of all policy areas, at all levels of government," she said.

As part of the the industrial policy review, the Commission intends to overhaul its so-called "better regulation" agenda - now rebranded smart regulation - which aims at simplifying EU laws and

scrap those that are no longer necessary.

The review will also look into the Commission's impact assessment studies, which are now routinely conducted to predict the likely consequence of EU legislation on citizens and the wider economy, in a detailed cost-benefit analysis.

First Vice-President Frans Timmermans has a mandate from

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Commission President Jean-Claude Juncker to cut red tape and deliver “better regulation”.

He is currently analysing about 130 pieces of pending legislation left over from the Barroso Commission to decide if any should be dropped.

More broadly, the European Commission President, Jean-Claude Juncker, has tasked Timmermans to report within a year of his mandate on how to strengthen the Commission’s approach to better regulation.

Timmermans has already indicated that reviewing existing legislation will be a major part of that review.

“The better regulation agenda is not just about optimising future proposals but also about reviewing laws which no longer serve the purpose they were intended for, and then removing them from the statute books to remove any obstacles they create to growth and job creation,” Timmerman’s spokeswoman Natasha Bertaud told EurActiv.

Better regulation agenda is contentious

But the simultaneous reviews of better regulation and impact assessments are likely to cause controversy as business and NGOs see the debate from very different perspectives.

NGOs fear the better regulation drive could be hijacked by business as a means of promoting a deregulation agenda, in particular with regards to environment, health and social legislation.

In his Parliamentary hearing, Timmermans nodded to such fears, emphasising that deregulation “will fail if it is an attack on social rights or environmental protection”.

Nevertheless, the EU executive is clear that it is mandated to ditch rules that impede business.

Bieńkowska confirmed this, telling EurActiv that, “We will not hesitate to drop initiatives if we are not fully convinced of their added value, nor are

we afraid to approach things differently.”

“We need to improve the investment environment by removing non-financial barriers in key industrial sectors,” said the Polish Commissioner, adding: “Investment in new manufacturing technologies in smart and clean industries will not happen if the regulatory framework at EU level is not conducive to growth.”

Opposition mounts

The issue is likely to stoke dispute between industrial and NGO interests.

An example of that dispute surfaced last week, when the employer’s group BusinessEurope sent a communication to Timmermans recommending that the EU executive withdraw four proposals currently on the table – the financial transactions tax, rules affecting pregnant workers, gender balance on company boards and air quality.

“These are proposals where business has said from the outset that they would impose disproportionate burdens for European companies, or are not in line with subsidiarity and/or better regulation principles, and can therefore not be supported by us,” the communication said.

Green NGOs were quick to denounce the BusinessEurope initiative as an assault on environmental laws. “The real scandal would be if President Juncker were to buy into BusinessEurope’s regressive agenda under the veil of ‘better regulation,’” the European Environmental Bureau’s (EEB) secretary-general EEB’s Jeremy Wates said in reaction to the paper.

Impact assessments part of the equation

Division over better regulation is reflected in the parallel issues of impact assessment and scientific advice which are also under review.

The European Commission is currently reviewing the guidelines on how it carries out impact assessments and has

committed to publish new ones by the end of this year.

Impact assessments are routinely conducted to predict the likely consequence of EU legislation on citizens and the wider economy, in a detailed cost-benefit analysis.

These may have far-reaching consequences: such questions turn explosive when science is thrown into the mix – on topics such as climate change, renewable energies, GMO authorisation, and shale gas.

On each of these, the Commission seeks advice from the scientific community to determine what form of regulation is needed, if any, applying the precautionary principle.

A big challenge for the incoming European Commission will be to disconnect its evidence gathering processes from the “political imperative” that’s driving policy proposals, according to Anne Glover, the EU’s chief scientific advisor.

But the cessation of Glover’s role with the incoming Commission is also creating doubt as to how scientific evidence will be balanced in the new regime.

Juncker has not yet decided whether or how to replace the chief scientific adviser role when Anne Glover leaves the EU executive in February next year.

“President Juncker believes in independent scientific advice. He has not yet decided how to institutionalise this independent scientific advice,” is the line currently being taken by the Commission.

The new announcements on industrial policy will have to maneuver these various controversial strands delicately.

“I believe that the result [the new industrial strategy] will be a robust, comprehensive and coherent strategy, resulting from teamwork within the Commission and close co-operation with the Vice-Presidents,” according to Bieńkowska.

There will be plenty of observers on all sides of the debate ready to test that optimistic outlook, however, when it is launched early next year.

Bieńkowska: 'Our policies have to be overhauled'

The Polish Commissioner responsible for industry is set to launch new proposals for an industrial strategy early next year. She tells EurActiv that the new approach must be concrete and that the overriding aim must be to promote the competitiveness of European industry.



Elżbieta Bieńkowska [European Commission]

Elżbieta Bieńkowska is Commissioner for Internal Market, Industry, Entrepreneurship and SMEs. She spoke to EurActiv's Jeremy Fleming.

What is your personal vision of industrial policy?

Industrial policy has to be built on knowledge. We must understand the challenges industry faces, member state-by-member state, sector-by-sector. Then, we have to know what we can do as well as understanding what we cannot do. Our policy intervention should target issues and remove barriers where the economic impact is the greatest. Equally, we have to recognise where government action is not needed and have the courage to step back where we are not helping.

Industrial policy should play on Europe's strengths. We have high levels of education, centres of industrial and academic excellence. We have strong legal systems, an internal market of 510 million

people, and low levels of corruption.

Only by bringing the EU back to the path of economic growth will we have credibility as an international actor; only by bringing the EU back to the path of job creation will we gain legitimacy in front of the EU citizens. Ultimately, our aim must be to create the high-value, well rewarded jobs which are within our reach.

Industrial policy cannot be abstract. It cannot be a set of aspirations without knowing how we can achieve them. Whatever we aim to achieve must be based on concrete actions that we can carry out quickly. And promoting competitiveness, which is the over-arching aim of industrial policy, must be woven into the fabric of all policy areas, at all levels of government.

How do you see the continuation of the Commission's industrial strategy going?

The Juncker Commission will take a fresh look at things. We will not hesitate to drop initiatives if we are not fully convinced of their added value, nor are we afraid to approach things differently. This is why we decided to take a little more time to produce our plan of actions to support industry which the European Council has asked for. Our actions over the next year, indeed over the next five years, cannot be "business as usual". We are emerging very slowly from a long and deep recession, at a time when much of the world has been recovering strongly. Clearly our policies have to be overhauled. In fact, we need to help EU industry to leap to the new era of the industrial economy, characterised by smart and clean production, and products.

What is the next key landmark in devising a new industrial strategy?

Early in 2015 I will present actions to support the competitiveness of European industry. I will come forward with concrete proposals for industrial projects. They will foster digitalisation and resource- and energy efficiency of industries. They will transform them into smart and clean industries. These projects will support the second pillar of the

investment package. The projects will make finance reach the real economy.

I will also deliver on the third pillar of the investment package. We need to improve the investment environment by removing non-financial barriers in key industrial sectors. Investment in new manufacturing technologies in smart and clean industries will not happen if the regulatory framework at EU level is not conducive to growth.

I believe that the result will be a robust, comprehensive and coherent strategy, resulting from teamwork within the Commission and close co-operation with the Vice-Presidents.

How does industrial strategy fit in with the investment plan?

The investment plan is about giving enterprises the investment and the business environment they need to kick-start recovery. Industrial policy is about making sure that we have the businesses able to build on that investment, capable of continued growth and prosperity when the investment plan comes to an end.

What needs to be done to beef up the internal market?

My mandate is broad and I have been given one of the most powerful tools of the EU, in the shape of the internal market.

It is no accident that the internal market is the first of the tasks I have been asked to focus on.

The internal market for services and goods has been an engine of European growth since its creation, but it is very much work in progress. I expect to be very busy opening bottlenecks and removing barriers.

In today's economy the separation between goods and services is blurring: automotive manufacturers offer insurance and finance, on-line booksellers also make smartphones. This trend is set to continue. That is why I shall be pressing for urgent action to identify and eliminate remaining barriers to free circulation of goods and services, and to ensure a fair and trusted internal market.

Solvay CEO: ‘We badly need a European energy policy’

Lack of access to affordable energy is the key driver behind the slow erosion of competitiveness in the European chemical sector, warns Jean-Pierre Clamadieu, who urges policymakers to reach agreement on a genuine European energy policy.

Jean-Pierre Clamadieu is the CEO of Solvay, a global chemistry company founded in Belgium, and President of the European Chemical Industry Council (CEFIC).

The first three questions in this interview are taken from a press conference held by Mr. Clamadieu on 20 November in Brussels. The remaining are from an interview conducted by Frédéric Simon, EurActiv’s publisher and editor.

CEFIC published a report on 20 November about the competitiveness of the European chemicals industry, which is rather pessimistic. Yet, figures show production in Europe has grown steadily over the past decade, so why worry?

We think we are right to worry about chemical industry competitiveness. And we are right to worry because of a key element, which is access to energy.

We have the feeling for quite some years that this was a key issue. And we have a study today which clearly demonstrates that the European chemical industry is losing competitiveness and that is something very serious.

And the phenomenon is only starting because the study was done in 2012, when the US energy revolution was only starting.



Jean-Pierre Clamadieu, CEO of Solvay [© Jean-Michel Byl - Solvay photolibrary]

Now, the revolution has continued so if we were to redo the same study a couple of years from now, I think we would see much more damage done.

The key factor which explains this loss of competitiveness is access to energy – both as a feedstock and as a source of energy. It means we are investing less because of this gap in competitiveness, which has grown especially in relation to the US chemical industry, whose competitiveness is now close to Saudi Arabia thanks to shale gas.

We think Europe needs to react. Reaction is probably twofold: one is energy cost. We think we badly need a European energy policy which focuses on security of supply and competitiveness. And we are probably at a time where policymakers agree that this is a priority, which was not the case two or three years ago. Today, the issue is part of the priorities of the new President of the European Commission and many member states leaders who see this as a key priority.

But we have very few proposals on the table and we think it is urgent now that we move with an energy policy that would secure energy cost competitiveness for the chemical industry.

Your assessment of the European chemical sector’s competitiveness is

quite alarmist. What is your message to shareholders. Should they be selling their shares?

First about being alarmist: We could wait and come in a few years saying our trade balance has deteriorated very strongly and we are losing jobs. We are not doing that. Instead, we are coming ahead of this phenomena looking at competitiveness which is a driver for trade surplus and employment. So we are coming at a time when we think there are still possibilities to reverse this trend.

Now, talking to our shareholders, the message is very simple. Taking the Solvay example, we are not a European chemical company, we are a global chemical company. Today, Solvay is exposed more or less equally to Asia, Europe and the Americas – one third of our sales in each of these regions. And second, we are transforming our portfolio to focus on innovative products.

So the messages to policymakers and shareholders are not the same. But if the CEO of a chemical company was saying ‘everything is fine, no issues, don’t move’, I think shareholders should be worried. And I think a lot of chemical companies today are revisiting their strategies.

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The fact is we got a good vibrant industry today, but the warning signals are becoming stronger. So, we are not alarmist, but saying let's not allow this situation to drift.

The European chemical industry has been sounding the alarm bell for many years now. What are policymakers not hearing? Surely, that message should have been conveyed and acted upon by now?

Again, two or three years ago, we were not receiving a lot of attention. Germany was busy moving out of nuclear, investing massively in renewables. France was trying to figure what to do after the last Presidential election where nuclear was part of the discussion between the various parties. Shale gas was considered as a peak on the curve and something that would quickly disappear. And all countries were going in their own direction.

Now, we have made progress. In discussions we had with Mr. Barroso, Mr. Hollande or Mme. Merkel, they all recognise that energy policy is key and has a significant impact on competitiveness. So that's a first step.

Now, have we seen much in terms of action, frankly speaking no. When we discussed with Mr. Oettinger in the previous Commission, he would make the same analysis of the facts. But have we seen the previous Commission coming up with a European energy policy? – No. And when we ask why, the answer was, 'This is not part of our mission'. Energy mix is the responsibility of the various member states, with little coordination. And the feeling was that the Commission had little ability to put together a policy.

As a large energy user in Europe, I still see fragmentation of the European energy landscape, each member state pulling in its own direction. Now this seems to be changing a bit. Energy policy seems to be one of the priorities of Mr. Juncker, we are starting to see the EU leaders and policymakers expressing their willingness to grasp the issue. Have we seen yet a proposal

on the table framing what could be a European energy policy? Frankly speaking – no.

This is why we are passing on this message today. And we will meet with the various EU commissioners in the next few weeks and we will insist on the urgency of developing quickly such a policy. What you have to realise is that things are moving very quickly. I see the situation is getting more and more challenging. Without being alarmist, it's something which is becoming increasingly urgent.

The Barroso Commission set an objective of raising the share of industrial activity in Europe to 20% of GDP, up from 15% today. Do you believe this objective can be met and how?

It's clearly a challenging objective. And if we look at what has happened in the last few years we see European industry competitiveness slipping more than increasing. But yes I think it's very important that Europe sets clear priorities and this one is very important.

If you look at the levers, some of them apply to all industrial sectors. One of them is better regulation – long-term regulation, predictability of regulation, avoidance of duplication. Having a European regulatory framework which is as homogeneous as possible, which means not letting member states making their little adjustments to regulations. This applies to all industries, not just the chemical industry.

So that implies a stronger Commission in your view?

Sure, we are pro-European, we think we need more Europe than less. But probably better Europe and one which is focused on the right subjects. For the chemical industry specifically, the key issues in terms of competitiveness is access to energy and fixed costs. And there what happened in the last few years has been catastrophic for the chemical industry; the fact that the US has turned almost overnight into a low-cost producer of energy –that has created

a significant handicap for us. We think the EU has to react, and cannot stay in such a position for the next decades.

Should the EU intervene to encourage shale gas production in Europe?

There is no silver bullet, there is not one single measure that will help bridge the gap. Clearly, we don't see in Europe the miracle or the quick transformation that shale gas has brought in the US. That said, we have to use all the levers and developing existing resources in Europe so shale gas has to be part of the EU's energy policy. Same for nuclear, I think phasing out safe and competitive nuclear plants today doesn't seem to me the right way to move forward. We have an issue with transportation infrastructure, gas prices are still quite different in several parts of Europe because of a lack of infrastructure to transport it. Infrastructure also to import gas into Europe such as LNG is also lacking.

And a third element of policy which is common for various industries is support to innovation. It's both human resources – we need the brains. Europe used to have very high quality education systems regarding science, physics, chemistry etc. It's still good, but eroding in terms of quality. It's very important that we find the graduates that we need to bring into our teams and help us continue to innovate in Europe.

Support is also key. Various member states have support schemes for R&D made by corporations, it's important that we have visibility and predictability of these schemes. And Europe has various programs to support innovation.

...and the budgets are increasing, with Horizon 2020

They are increasing but they are not very well designed to support industries like chemicals. They are more designed to support large programs in transportation for example. The chemicals industry has smaller size projects which makes it difficult for us to access these resources.

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On energy policy, you said you haven't seen yet anything convincing coming out of the European Commission. So what would you like to see?

First the clear message that we are moving towards a European energy policy. It has not been said yet if you look at the treaty, the energy mix is still the responsibility of the member states.

Would you want this to change? Should the Commission have a greater say on the energy mix?

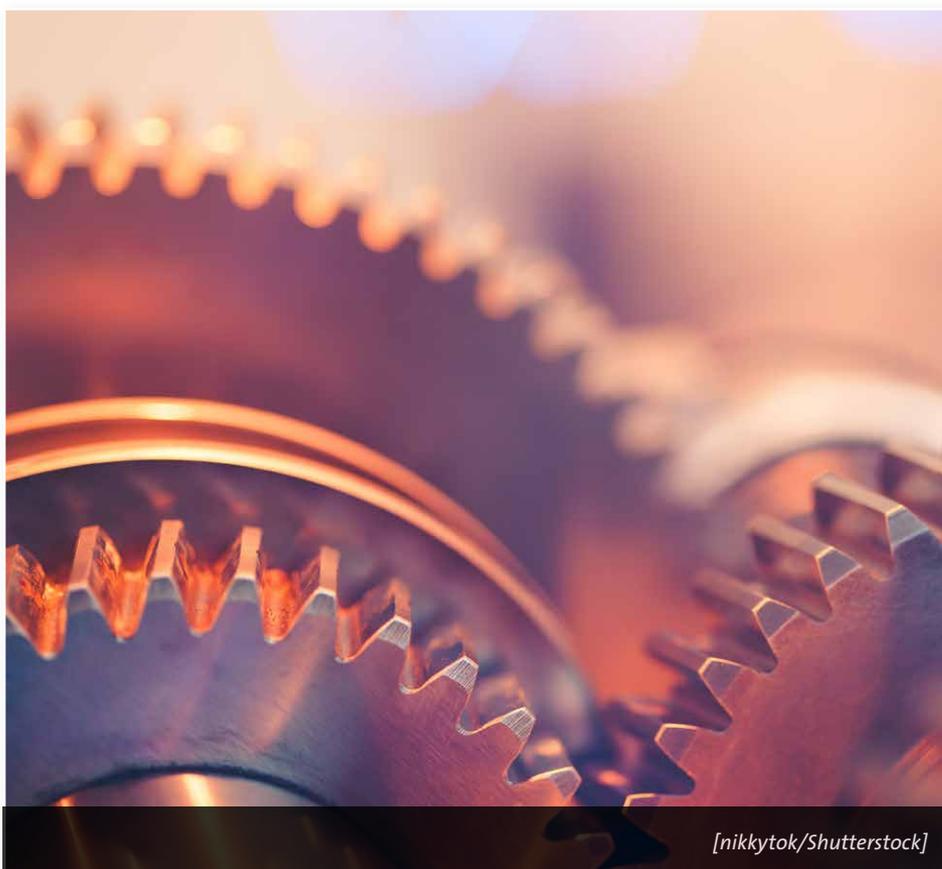
Changing the treaty is probably not an option at the moment but we clearly need a European framework. We need to solve the 'Balkanisation' we are currently seeing, where each country is going its own way. This creates huge differences in prices for industrial players.

How can the Commission achieve that in practice?

They need to come up with proposals on the table addressing the various issues I have mentioned: infrastructure; policy schemes to support renewables energies which are creating today significant costs which are borne by the large energy users and again with a lot of differentiation between the member states so we need to create alignment and homogeneity; and in terms of security of supply (and the Russian crisis has shed light on that issue), coming up with a common view of how Europe should access energy coming from other regions of the world.

The common purchasing of gas is an idea which is supported by the Commission's Energy Union Commissioner Maroš Šefčovič. He advocates a gradual step-by-step approach. What's your view?

Common purchasing might be a little bit ambitious, but a clear view of how the member states, the Commission and the key players in this field could act in a more organised way to secure this access, yes. I think Europe should play strongly its political hand to secure competitive energy supplies.



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