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## EDITORIAL

*By Isabelle Ioannides*

### EU energy – The way forward

The global energy landscape is changing very quickly – and not in Europe’s favour. Nonetheless, while the EU cannot change long-term global trends, it can clearly influence them. There can be much benefit for citizens and the competitiveness of businesses, from more European integration and investment in the energy sector.

In support of the Commission’s approach and what President Barroso has called a ‘no regrets’ scenario (see page 4 of this issue), the European Council agreed on 22 May on a series of guidelines in four fields of energy, which together should allow the EU to foster its competitiveness and respond to the challenge of high prices. It has therefore set the scene for tackling strategic energy challenges that Europe faces and set the tone for working together through Europe.

“This very challenging outlook should galvanise the efforts of all of us, both at European level and in member states, to mobilise every growth lever we have at hand and to give any impetus we possibly can to help citizens and businesses through these very difficult

times. A stronger European energy policy is a particularly important tool to achieve this.” With President Barroso’s words to the European Council on 22<sup>nd</sup> May in mind, this issue of the *BEPA Monthly Brief* examines more closely how we can step up our European efforts to ensure that our energy policy safeguards the security of supply for households and companies at affordable and competitive prices and costs, in a safe and sustainable manner. Such an outlook is crucial in making steps on what we could indeed call a European energy community.

Philip Lowe, Director General for Energy, outlines EU actions that aim to ensure that our energy policy meets future challenges and leads to Europe’s growth and competitiveness. Renowned think tanker Laurence Tubiana and Thomas Spencer analyse whether Europe’s energy policy is on the right track, given the complex EU and global context. BEPA adviser Pierre Dechamps builds on the high level seminar that BEPA co-organised last May with the German Marshall Fund of the United States, which examined the implications of the global revolution in unconventional oil and gas for Europe. He assesses the impacts of shale gas on the EU’s economic competitiveness, particularly *vis-à-vis* the United States and discusses the effect of these choices on Europe’s economic recovery.

## 1 EU energy on the road to 2030

By Philip Lowe\*

Europe's competitiveness and energy issues are currently at the top of the EU agenda. With global energy demand expected to increase by one third by 2030 (mainly driven by emerging economies such as China and India) and relatively high energy prices in the EU for both households and business, there is a need for a strategic debate on which energy policies prepare Europe best for a changing and ever more competitive global environment. At the same time, the scientific consensus on climate change is stronger than ever. Energy policies in particular have to integrate fully the response to climate trends.

Rising energy prices and rising volatility levels of prices have potential effects on energy-intensive businesses and their production costs, especially in cases where these businesses face international competition. In 2012, industry gas prices were more than four times lower in the US than in Europe. It is in this context that reflections on the post-2020 policy framework for energy and climate will need to consider how to reconcile competitiveness and sustainability concerns.

Some of the most energy-intensive industries in the EU provide basic input for a broad range of other industrial sectors and might therefore be considered critical for the EU, competing internationally for markets, resources and investments. In addition, with global CO<sub>2</sub> emissions having climbed to a record high in 2012, not only the EU's energy and competitiveness agenda, but also the climate change agenda is at a crossroads.

### Energy dependence and competitiveness

But let's get the picture right: high energy prices pose a threat to the EU economy mainly because of Europe's fossil fuel dependency which is already substantial today (representing 50 percent on average) and is expected to rise even more in the medium term. With Europe being a price taker, it will always be exposed to risks and uncertainties

which ultimately increase costs. In preparation for the EU summit discussions, the European Commission calculated that the EU currently spends as much as 406 billion Euros (that is, 3.2 percent of its GDP) per year on oil, gas and coal.

As the European Commission pointed out in its 2012 Competitiveness report, rising energy prices will hit primarily "the less energy-efficient countries and sectors, more specialised in energy-intensive products or more energy-dependent (e.g. countries more heavily dependent on imported fossil fuels)". A policy that improves the EU's cost competitiveness will therefore promote indigenous resources – with energy efficiency being by far the most important resource – complemented by policies that deliver the promising potential of a fully integrated single market for energy. This means that the EU will not replicate the US experience where shale gas, on its own, is redrawing their energy map.

As was clear from the 22 May Council conclusions, the EU has no single game changer at hand. Instead, it will have to work on several fronts: energy efficiency; the internal market; diversification and investment. This makes the task of policy makers far more complex as a comprehensive approach to energy policy is needed. But the impetus is strong and the rewards potentially great – contributing to economic growth and delivering on its ambition of becoming a competitive low carbon economy by 2050.

### Energy efficiency

One of the critical factors that will determine the success of this endeavour is the degree to which Europe is able to improve its energy efficiency. The vast potential that lies in energy savings has been recognised by the EU in its 2011 energy strategy and more recently in the IEA's World Energy Outlook. The 20 percent saving target for 2020 alone would

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deliver savings equal to the current GDP of Finland. But the effects of energy efficiency are not only the directly saved expenses for imports and its dividend in terms of decreased exposure to fossil fuel price (volatility). On top of that it will allow the EU to move from a system of paying energy bills (money and jobs leaving the EU) towards boosting investments within the EU.

## **Completion of the internal energy market**

An open, interconnected, integrated and competitive market in which energy can flow according to price signals is the second component of the EU's long-term competitiveness strategy. It has already helped the EU to decouple rising costs in commodity prices from wholesale energy prices. What is not yet happening is that the benefits in the wholesale market are fed through to retail prices.

An on-going study of the EU Commission estimates the net economic benefits from completion of the internal market to be in the range of 16-40 billion euro per year. These are add-ons to the benefits we have seen already in the past. But for this to happen, we will need much more commitment from member states to our objective of a single market for energy by 2014 starting with the overdue phasing out of price regulation where it still persists. The same study also demonstrates that addressing security of supply within national boundaries only results in welfare losses. The Commission will shortly be producing guidance on the use of national capacity mechanisms in order to avoid market distortions and exploit opportunities for regional cross-border solutions.

It is the creation of a competitive EU market that will also help the EU break the oil-gas price link and increase competitive pressure in the EU's gas market. In 2012, one single European company, Eon, managed to renegotiate the price it pays for gas under long-term contracts with Gazprom by as much as 1 billion euro. This reduction was four times bigger than what one of Germany's biggest energy consuming businesses, aluminium producer Trimet, spends per year

on energy. It is a reduction which arguably would not have been achieved in the absence of a strong EU stance on energy market rules.

Renewables are an integral part of the European energy market story. Over the past years they have become a central player. The EU today meets 13 percent of its final energy consumption with renewable energy, an increase of 5 percentage points in 6 years. This is a European success story. But in order to continue this success story, renewables support schemes now have to become cost-effective, reflecting the impressive cost decreases of the past years for wind turbines and PV panels. Otherwise permanent reliance on subsidies can only damage Europe's industrial competitiveness and overburden constrained national budgets. Nonetheless, abrupt and even retroactive changes to national support schemes should be avoided as they can undermine investor confidence. The Commission will soon be presenting, as part of a comprehensive package on best practice support to renewables and on strengthened cooperation mechanisms to stimulate trade in renewables across national borders.

## **Diversification**

In the same way as an investor diversifies his portfolio, the European Union will need to diversify sources and suppliers in order to reduce risk – and ultimately cost.

Diversification works from two angles: imports and indigenous production. For imports it is vital to ensure that no country relies on a single supplier or supply route. In this context, we have to underline the important contribution that elaborate partnerships with key energy partners can make for competitiveness. From the production standpoint, Europe's indigenous resources, in particular of conventional and unconventional gas, need to be exploited to the full, given that gas is a less CO<sub>2</sub> polluting fuel and has a strong complementarity with intermittent renewable supplies. However, we must ensure that unconventional gas is exploited in ways which are environmentally sustainable. The Commission is currently

carrying out a comprehensive impact assessment on the potential for shale gas in Europe.

## Investment

Major investments and upgrades will be necessary to modernise Europe's ageing infrastructure and to allow *inter alia* for renewables to be transmitted, stored and backed up. Up to 2020, almost a fifth of the EU's total coal-fired power station capacity is due to be retired and will have to be replaced even in the absence of a decarbonisation agenda. The amounts necessary for new generation capacity and smarter grids for transmission and distribution (1 trillion euro by 2020) cannot be met by public budgets alone.

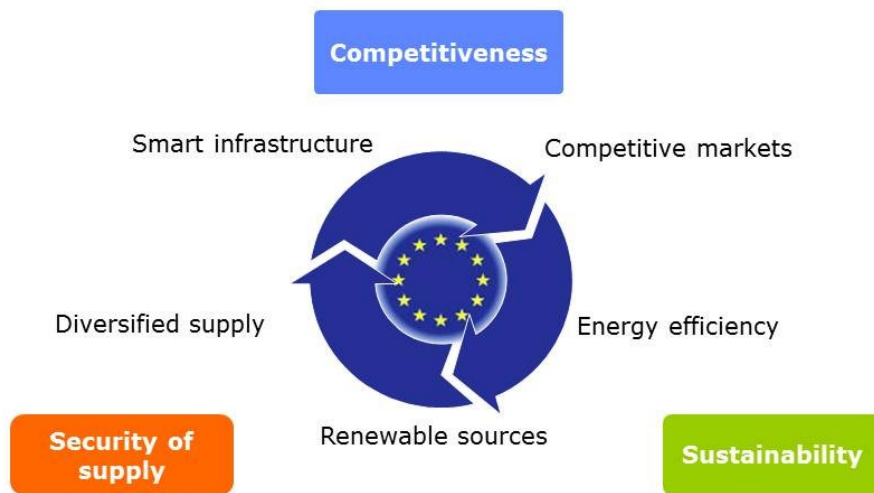
The private sector's engagement is vital. It will be for EU governments and the Commission to enable this by ensuring a

stable framework for investments. This is precisely the intention behind the early launch of reflections on the 2030 policy framework, the upcoming framework for market intervention, the simplified permit granting under the revised rules on Trans-European Networks for Energy or the clarification of financial investments in unbundled energy operators. The energy sector will, however, only become an engine of growth if the EU's financial sector succeeds in channelling savings to long term investment needs and *inter alia* provide innovative risk sharing facilities.

Ensuring safe, secure and sustainable energy supplies at affordable prices, whilst bolstering economic recovery and long term competitiveness of the EU *vis-à-vis* its major economic counterparts, will require a comprehensive EU policy response. This is the major challenge on the road to 2030.



## A "no regrets" scenario for Europe



*President Barroso's presentation on "Energy priorities for Europe" to the European Council on 22 May 2013.*

## 2 EU energy – Preparing the future

By Laurence Tubiana\* and Thomas Spencer\*\*

Is Europe's energy policy on the right track? It is not surprising that this question is increasingly asked, given the current EU and global context. The EU recession and US 'energy revolution' seem to offer two fundamentally different paths for energy, climate and economic policy.

This article reformulates the question: what other paths can Europe follow? It argues that the EU must continue with policies focusing on energy efficiency, fossil fuel substitutes and strengthening the internal market. In the long term, these will be crucial to its economic competitiveness and resilience. In the short term, there are some sectors which could suffer from policy-induced increases in energy prices. The Commission should look in detail at policies in these specific few sectors, rather than proposing a fundamental revision of EU energy and climate policy.

### Global trends in energy

In aggregate terms, the world is currently experiencing unprecedented economic growth. There are clearly short-term concerns in the major growth centres, such as China, Brazil and India. Nonetheless, the fundamentals of technological catch-up, demography and world trade remain reasonably sound.

Thus, between now and 2030, roughly 3 billion people will enter the global middle class – with the growth in consumption that this implies. Alongside this foreseeable consumption boom, resources are, broadly speaking, becoming more intensive to extract in terms of capital, energy and environmental damages. There are, of course, some exceptions to this relatively sombre picture of global resource supply, notably the current performance of shale gas in the USA. We will return to this issue later in the article, in particular the potential for this to be repeated in Europe.

Against this background, in its 2012 report, the US National Intelligence Council identified the "food, water and energy nexus" as one of its key

four megatrends that will shape the world in the coming two decades. Between 2002 and 2012, the World Bank Commodity Price Index for energy increased by 100.5 percentage points in real terms; for metals and minerals it grew by 83.4 percentage points. In the last 3 years, both indices reached their highest points in real terms since 1960.

This trend of growing demand and decreasing marginal productivity of resource supply can be expected to continue, broadly speaking. In its 2012 *World Energy Outlook*, the International Energy Agency projects that world primary energy demand will increase by 32% between now and 2035, under current policies. Recent long-term projections by BP and Exxon Mobil are similar, or indeed more bullish regarding the growth of global energy demand. The IEA projects oil prices to grow 34% in real terms by the same date, under current policies.

In this global context, it is clear that resource efficiency will therefore structure demand in global markets and contribute to firm competitiveness. The Commission's 2012 *Competitiveness Review* empirically assessed this "[...] growing phenomenon of internationalisation and cross-border 'eco-investment' in clean and more energy-efficient technologies and products and services, exploiting many business opportunities offered by the global environmental and societal goals and challenges ahead".

### Implications of shale gas for the US economy

Against this long-term structural picture, it is clear that a small number of sectors are highly sensitive to energy prices in the short term. It is interesting to illustrate this by looking at the economic impact of shale gas in the United States, which is often characterised as a key factor behind a so-called 'resurgence' of US manufacturing and the US economy more broadly. For this purpose, we have taken data from the US Energy Information Agency and US Census Bureau that is organised by manufacturing sector and provides highly

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detailed information on energy expenditure and value added.

According to this data, two manufacturing subsectors are important consumers of gas as a feedstock. Cumulatively, they represent less than 0.04% of the US economy. A larger group of sectors includes important consumers of gas as a fuel. Cumulatively, they represent slightly more than 1% of the US economy. There is some overlap between these two figures. We can also look at the upstream side. In 2010, oil and gas extraction plus the two sectors for supporting services made up 0.33% of total private sector employment in the US. Oil and gas extraction plus support activities for mining (including all mining activities, not just oil and gas) made up about 1.6% of US GDP in 2011.

This analysis does not suggest that the US shale gas boom has been insignificant. It has had important local and geopolitical impacts on the perception of the USA's dependency on hydrocarbon imports. But the USA's (slow) recovery from the 2008/9 crisis cannot be attributed to the shale gas boom; nor can the revival of US manufacturing. All we can say is that at the aggregate level the US energy revolution will help a little at the margin, and it will have an important impact for a small handful of sectors.

### **Alternatives for Europe's energy policy**

To what extent does Europe have the margin to change its energy policy? Between 2012 and 2030, Europe's domestic production of oil and gas are projected to decline by 63% and 54% respectively. It is reasonably clear that Europe cannot repeat the US shale gas revolution. The US took 20 years from initial exploration to dramatically ramp up production from about 2005. Europe's population density, its different legal regime, its lack of exploration and drilling capacity mean that shale gas production will proceed slowly, if social acceptance can be found.

The Commission's own projections, released by the Joint Research Center in 2012, show that in the most optimistic scenario, shale gas just manages to offset the decline in conventional gas production. Thus, even in this scenario, Europe's import level is kept roughly stable. European shale gas production is projected to be more

expensive than current European conventional production. Given the import levels, the price of European gas will continue to depend on international markets. The strong regional differences in global gas markets will continue, with North America standing out as a low-price region.

Europe therefore should continue to focus on developing the internal energy market, which can help to spread the benefits of more liquid and competitive international gas markets, as well as allow the roll out of renewables more cost effectively. For Europe, there is no real alternative to energy efficiency, the internal market and fossil fuel substitutes. In the short term, this will mean somewhat higher prices, from which a few sectors would be at risk. The Commission should look in detail at policies in these specific few sectors rather than propose a fundamental revision of EU energy and climate policy. Existing measures already support energy intensive industry: free allowances under the EU Emissions Trading Scheme and exemptions from renewables support and energy taxation policies. The Commission should closely monitor these policies to ensure against distortions of the internal market.

Europe's challenge is therefore to navigate in an increasingly competitive, fragmented energy landscape, which is nonetheless structured by long-term global currents: resource scarcity and climate change, in particular. The global context of booming consumption and scarcer resources will confer a broad long-term comparative advantage on resource efficient, innovative economies. Europe's task is therefore to manage this long-term transition, while best protecting and innovating within a few highly sensitive industrial sectors.

There are also important signs with the recent announcements in the United States and China that the issue of climate change is coming back onto the international stage. The recent commitment by all countries to negotiate a new global treaty on climate change by 2015 has given new impetus to international negotiations, although these are still proceeding slowly. Domestic climate policies are progressing, notably with President Obama's recent announcement of domestic emissions regulations.

### 3 Shale gas – A revolution?

By Pierre Dechamps\*

Shale gas has been a true revolution for the US energy markets. The development of shale gas goes back ten years and has taken place in the context of US laws on land ownership, according to which the owner of the surface also owns its underground (and reserves). This situation has provided a powerful incentive to explore shale gas and extract it as soon as the project is financially viable.

It all began with a myriad of small independent producers, at a time when the United States was becoming increasingly dependent on natural gas imports via LNG terminals – seemingly indicating that natural gas would remain relatively expensive. Following years of development, the shale gas quantities entering the market are at a level that secures US self-sufficiency in natural gas, have led to the cancellation of plans for LNG import terminals, considerations of the possibility to export shale gas as LNG, and very low natural gas prices. Indeed, prices have decreased to less than 3 \$/MMbtu (US dollars per million British Thermal Units), when Europe pays its gas around 10 \$/MMbtu, and Japan, which is highly dependent on LNG imports, pays even more.

As a result of the extremely low natural gas prices in the US, the natural gas industry was reorganised through mergers and acquisitions of the smaller, less profitable operators. The situation is now more stable with prices at around 5 \$/MMbtu, still less than half the average European price and undoubtedly a positive factor for US industry competitiveness. It has led to the re-shoring of numerous energy-intensive activities and to an imbalance with the European situation for global energy-intensive industries, such as the refinery industry which is a big energy user.

#### A revolution in the EU?

One may ask what positive impact the US gas shale revolution could have on the European industry. If the EU does not develop its own shale gas reserves, shale gas in the United States

and other regions of the world could essentially depress the LNG prices. Yet, the LNG market is rather separate from the regional natural gas markets on which it only acts almost as a ceiling price. Accordingly, developments in this energy sector would have no direct impact on prices in the EU natural gas market, where they are below international LNG prices.

If the EU was to develop its own shale gas reserves, the impact would of course be much greater. European shale gas would provide an additional natural gas source to the European regional gas market and would push down natural gas prices in European countries. It is, however, unlikely that it would take the same proportions as in the US since – as expert studies have shown – the development of shale gas in the EU could only compensate for the decrease of indigenous conventional natural gas production. We are unlikely to ever become self-sufficient in natural gas, as is the case for the United States.

#### The cons – and solutions

The opponents to shale gas point to the environmental problems associated with it and more particularly to the environmental risks of fracking (i.e., the production technique used to extract shale gas from the low permeability rocks). The technique involves the injection of large quantities of water with sand and additives in order to open cracks in the formation. The low permeability of shale also requires many drilling operations; even directional drilling requires several operations from the same point on the surface. The dangers and challenges therefore include: the amount of water needed; the possible risk of leakage of fracking water into the potable water table; the release of chemical additives; the number and extent of ground operations; the transport required, notably for the fracking water; and the associated noise. Another possible problem is the leakage of methane (shale gas itself) into the environment, which is a very powerful greenhouse gas with a

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global warming potential more than twenty times that of carbon dioxide. Nonetheless, fracking is not a new technique: it is already used in Europe for the production of conventional hydrocarbons. Yet, the associated risks are multiplied by the number of operations required if shale gas is produced on a large scale.

The logical response to potential challenges is to recognise that fracking and shale gas production are industrial activities of an engineering nature and that the associated risks must be understood and maintained at acceptable levels through regulation. The next question is whether or not the EU is already equipped with the necessary regulatory environment. A number of environmental directives apply (e.g. the water directive, the wastes directive, the REACH directive). Numerous regulations for the conventional hydrocarbon extraction industry also apply, but it could be that a set of additional rules must be agreed on to ensure that the societal cost of shale gas production is acceptable. The challenges associated to shale gas should be understood, controlled, and brought down to a level that is acceptable for society. It should be recognised, however, that these challenges will never be reduced to zero, just like we cannot design airplanes that will never crash.

It is therefore important to provide shale gas production with the right regulatory environment in order to win public support. Unlike in the United States where the owner of the surface also owns its underground reserves, shale gas production in the EU will take place through concessions, given that property rights do not work in the same way in Europe. As the regulatory framework stands today in Europe, member state governments will be fracking in private citizens' backyards. It is far more difficult with this ownership model to find incentives for local communities than it is with the US model. Admittedly, this situation is potentially problematic: public support has already been a major challenge for other energy and power generation technologies (e.g., the underground storage of CO<sub>2</sub>) and indeed applies to all energy infrastructures one can think of from windmills to nuclear power plants.

## The implications

Shale gas can potentially have profound geopolitical consequences. It could, for instance, decrease US attention on the Middle East as a source of hydrocarbons. The EU would lose the indirect benefit of US actions and interventions in the region. Similarly, a possible shale gas revolution in Europe would affect relations with our current natural gas providers in the neighbouring countries. It would give more freedom and independence to transit countries from Russia, arguably why great hopes are put on shale gas in Poland. Ukraine could also develop its apparently large shale gas reserves for the same reasons.

Another important aspect of shale gas is the influence it can have on our climate policies. While shale gas is increasingly used for power generation in the US, cheap coal is imported to some EU countries from the United States provoking a rise in greenhouse gas emissions of this energy sector in certain member states. In the longer term, if the EU developed its shale gas reserves, additional natural gas would replace coal in our generation mix. This would only have benefits for the environment and the climate. Sceptics would argue that shale gas runs the risk of delaying the development of renewables and capturing some of the research funds that would otherwise go into this sector.

From a more general energy policy perspective, shale gas is currently one of the factors pushing the development of energy policies at national level rather than towards a true European policy. EU member states – even regions in some cases – have very different attitudes towards shale gas, from moratoria on exploration to great hopes. This results in a patchwork of conditions for growth of the industry rather than a coherent European approach. A more coordinated approach is required: this is true for shale gas, just like it is also true for responses to the failure of the emissions trading scheme and for the new market mechanisms emerging in the electricity sector. The danger of such reforms not taking place is that we end up remembering our era as one of the re-nationalisation of energy policies.



## 4 Think Tank Twitter

*Think Tank Twitter (TTT) aims to provide regular information and updates on what is produced by think tanks and research centres across Europe (and beyond) on EU policy issues. As an analogy to the original Twitter, each summary – or tweet – does not exceed 140 words, rather than characters. Those who wish to signal new publications for possible inclusion can send them to the email address [bepa-think-tank-twitter@ec.europa.eu](mailto:bepa-think-tank-twitter@ec.europa.eu)*

### Where Do We Stand and What to Expect? – An analysis of the “state of the crisis”

It was the ECB and its decision to be the lender of last resort that calmed down the immediate crisis and with it the fear of a eurozone meltdown. Today the focus has shifted: out of an economic crisis has developed a socio-economic crisis. Citizens and particularly the youth are hard-hit by unemployment and have become frustrated with elites, thus increasingly turning to populist movements. In this socio-economic dimension of the crisis, the ECB will not be able to assist. This time it is up to politicians to tackle problems decisively and swiftly. Although the author believes that small steps in restructuring the incomplete EMU will take place, he does not expect a major breakthrough until after German elections in September 2013.

<http://crisisobs.gr/en/2013/05/where-do-we-stand-and-what-to-expect-an-analysis-of-the-state-of-the-crisis/>

### Crises in the Euro Area and Challenges for the European Union’s Democratic Legitimacy

The economic crisis has caused a major disconnection between decision-making on the economy and public opinion. Democratic legitimisation of European economic governance is under scrutiny: first, output-based legitimacy is hard to obtain as the very nature of the eurozone limits economic policy choices of member states; second, input-based legitimacy is equally flawed. Crisis management was conducted through emergency summits that disregarded Parliaments, thus denying citizens the right to participate in developments. This has led to citizens both in donor and debtor countries to oppose bail-in plans. The authors suggest initiating a meaningful debate on economic choices with civil society. They also argue that any move towards a political union must be underpinned by the revitalisation of democratic control, including representational and participative elements.

<http://www.gmfus.org/archives/crises-in-the-euro-area-and-challenges-for-the-european-unions-democratic-legitimacy/>

### Making Progress towards the Completion of the Single European Labour Market

To recover from the economic crisis it is crucial to use the full potential of the single market: the existing mobility for capital, goods and services must be extended to labour. To optimise the allocation of human resources, the authors suggest measures based on four main pillars: first, to improve implementation of existing tools (e.g. EURES); second, to invest in empowering individuals to move freely and minimise their vulnerability in the hosting country; third, to give the EU a stronger role in the process towards full labour mobility so that the EU can ensure a coherent approach towards equal treatment, minimum wages, working conditions and migration; and last, to monitor the intra EU movement more effectively to attain a sufficient level of knowledge about migration patterns.

[http://www.epc.eu/documents/uploads/pub\\_3529\\_single\\_european\\_labour\\_market.pdf](http://www.epc.eu/documents/uploads/pub_3529_single_european_labour_market.pdf)

### Social Competition in the EU: Myths and realities

High unemployment rates have given a new momentum to debates on competition among member states, and with it, to the “race to the bottom” in terms of social standards and ‘social dumping’. The author examines this phenomenon and finds that, generally speaking, social competition between member states – particularly between ‘old’ and ‘new’ – is unlikely. This mainly results from the adjustment of labour costs. Looking at total productivity-adjusted labour costs, some ‘new’ member states have actually become more expensive than ‘old’ ones. In reality, the UK, Ireland and to some extent Luxembourg, out-perform all other countries in terms of labour costs. Also, labour standards – although mainly considered a national prerogative – have been harmonised at EU level. In that context, the study shows that labour standards are not consistently poor in new member states.

<http://www.eng.notre-europe.eu/media/socialcompetition-maslauskaitė-ne-jdi-june13.pdf>

## The New Sick Man of Europe: The European Union

This survey analyses public opinion in eight European countries: Britain, France, Germany, Italy, Spain, Greece, Poland and Czech Republic. The findings are rather worrisome: positive views of the EU are at or near their low point in most member states surveyed. EU favourability has decreased from a median of 60% in 2012 to 45% in 2013. The crisis has created centrifugal forces: southern European countries are becoming more and more frustrated with ruling elites in Brussels and Berlin, and the unfair economic system. Especially Germany continuously grows disconnected from France and the rest of Europe. Public opinion in France has changed significantly and now resembles much more that of southern European countries rather than that of Germany. Nonetheless, solid majorities in all member states surveyed favour keeping the euro.

<http://www.pewglobal.org/files/2013/05/Pew-Research-Center-Global-Attitudes-Project-European-Union-Report-FINAL-FOR-PRINT-May-13-2013.pdf>

## Towards a European Global Strategy. Securing European influence in a changing world

The expected shift of power and transformation of the global system holds opportunities and challenges for the EU. To protect Europe's well-being, peace and shared values, the report identifies European interests and ways to protect them on three levels: at home, the EU should lower existing barriers between internal and external markets to foster trade and innovation. At a regional level, the neighbourhood should be perceived as a strategic opportunity and enlargement continued. At a global level, the EU should anticipate the need for governance and use both formal and informal avenues to reach goals. The EU should be proactive rather than reactive, while remaining pragmatic and able to adapt to circumstances. Development cooperation and trade will be particularly decisive instruments to fulfil strategic objectives.

[http://www.realinstitutoelcano.org/wps/wcm/connect/e59df3004fc9912d8289caccba746acc/EGS\\_Report.pdf?MOD=AJPERES&CACHEID=e59df3004fc9912d8289caccba746acc](http://www.realinstitutoelcano.org/wps/wcm/connect/e59df3004fc9912d8289caccba746acc/EGS_Report.pdf?MOD=AJPERES&CACHEID=e59df3004fc9912d8289caccba746acc)

## The Changing Face of North Africa. An opportunity for and with Europe

The authors analyse today's situation in Morocco, Algeria, Tunisia, Libya and Egypt, two years after the Arab spring. To realign Europe's role in the southern Mediterranean with its aim to promote democracy, employment and security, the authors argue for close cooperation: the EU should ease trade restrictions and encourage the five states to develop a common labour market. To ensure coherence, closer coordination between the EU Neighbourhood Policy and bilateral activities of member states (particularly France, Spain and Italy) is needed. To foster business start-up projects in North Africa, the EU should introduce a flexible visa policy for young entrepreneurs from the region. The success of the transformation will largely depend on the development of a pluralistic and free civil society which needs political and monetary support.

[http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-77865594-982AE97C/bst\\_engl/xcms\\_bst\\_dms\\_37944\\_2.pdf](http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-77865594-982AE97C/bst_engl/xcms_bst_dms_37944_2.pdf)

## Copyright Reform for Growth and Jobs: Modernising the European copyright framework

Today's digital economy has developed much faster than EU copyright law. A copyright reform is needed to ensure fair and reliable returns to authors and right holders in Europe's digital marketplace. The authors offer seven interdependent short-term recommendations for reform: update and amend the Information Society Directive; shorten terms of protection to proportionate levels; simplify online licensing across the EU; recalibrate the reproduction right; simplify legal protection of digital rights management systems; downsize the database right; and rebalance copyright enforcement remedies. These proposals aim at long-term harmonisation of copyright law that remains for now mainly a national process. The implementation of these proposals would have promising implications for the development of the digital economy and thus for growth and jobs.

[http://gallery.mailchimp.com/e11b949d8350120e252700029/files/LisbonCouncil\\_policybrief\\_FIN2\\_web.pdf](http://gallery.mailchimp.com/e11b949d8350120e252700029/files/LisbonCouncil_policybrief_FIN2_web.pdf)

## 5 BEPA News

### Arrivals

BEPA is delighted to welcome Maria Angeles Benitez Salas, its new Deputy Head as of 1<sup>st</sup> July. She has a long and outstanding record within the European Commission, most recently as Director in DG AGRI.

Nuria Paredes joins the Outreach secretariat to replace Maria Alonso, who has moved to the EEAS.

### Activities

On 7 June, BEPA organised a seminar on the attractiveness of Europe. The seminar constituted a debriefing of the “State of the European Union” conference, which took place the previous day and attracted hundreds of business leaders from over fifty multinational companies. Marc Vanheukelen, Head of Cabinet of Commissioner De Gucht, opened the seminar. INSEAD, Booz & Co and Ernst & Young presented their studies on European attractiveness. The discussion focused on ways to promote an environment where multinationals can maintain and increase their inward investment to generate growth and employment in Europe.

On the same day and for the second year in a row, BEPA hosted a group of young francophone professionals selected by the Aspen Institute to visit the Commission. About twenty participants – including MEPs but also professionals less familiar with the Brussels milieu – discussed the workings of the European institutions. The visit also included an exchange of views with Commission representatives, including Commissioner for Internal Market and Services, Michel Barnier, and the Deputy Head of the Cabinet of President Barroso, Hugo Sobral.

On 18-19 June, the European Group on Ethics in Science and New Technologies (EGE), the Irish National Advisory Committee on Bioethics, and the NEC-Forum of the 27 National Ethics Councils of the member states, met in different configurations in a series of events that took place in Dublin, under the auspices of the Irish EU Council Presidency.

Within the context of Art 17 TEU and the European Year of Citizens, BEPA held a seminar with the Church and Society Commission of the Conference of European Churches (CEC), and the Commission of the Bishops’ Conferences of the European Community (COMECE) on June 20.

During this event on “EU citizenship – challenges and benefits”, participants, experts and Commission officials discussed the concept of European citizenship and citizens’ understanding and awareness of it.

On June 24, BEPA co-organised with the Austrian Institute for European Law and Policy a seminar on dialogue with civil society under Art. 11(2) TEU. Senior European officials, including BEPA’s Deputy Head Benitez Salas and DG Justice Director for Fundamental Rights and Union Citizenship Nemitz, debated with experts on the promises, reality and limitations of the “vertical civil dialogue”, as well as on the opportunities and challenges for EU legitimacy. The debate constitutes the beginning of a useful dialogue among Commission services on lessons identified and best practices when engaging with civil society.

### Forthcoming events

The 3<sup>rd</sup> Meeting of the Science and Technology Advisory Council of the President (STAC) will take place on 9 July. The paper titled “Unleashing responsible innovation, the new science and society contract for sustainable and socially inclusive innovation in the EU”, requested by President Barroso, will be discussed with the President and then will be adopted.

On same day, BEPA is organising a high-level seminar on “Public Sector Innovation”. President Barroso will open the seminar and the Commission’s new “Public Innovation Scoreboard” will be presented. Specialists and practitioners will share their insights and experience on public sector innovation and discuss the opportunities for and challenges to further progress at European and member state levels.

In the context of the pilot project “New Narrative for Europe”, President Barroso and Polish Prime Minister Tusk will participate on July 11 in the “General Assembly of Culture and Thinking on Europe”, that will take place in Warsaw. Intellectuals, artists, scientists and civil society will discuss the shared values needed to make a common story; Europe’s soft powers (the arts, heritage and sciences); and the image and role of Europe in a global and interdependent world.