



Enterprise and Business Committee

EU update session

Background paper

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This paper has been produced by **Gregg Jones, Head of the EU Office**, for an EU update session with Enterprise and Business Committee. It is the first EU update session since the 2014 European Parliament elections and the appointment of the new European Commission, and therefore includes background information on these key institutional developments, as well as looking at specific dossiers on the EU agenda of relevance to the Committee's remit.

For further information contact Gregg:

Tel. 0032 2 226 6692

Email: Gregg.Jones@wales.gov.uk



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1. EU institutional changes

2014 was a year of institutional change for the EU, with the European Parliament elections in May, followed by the process of nominating and appointing a new President of the European Commission, former Luxembourg premier Jean-Claude Juncker, and College of Commissioners, which took office on 1 November. To complete the picture, 2014 also saw the appointment of a new President of the European Council, former Polish premier Donald Tusk, who replaced Herman Van Rompuy and took up post on 1 December.

With regard to the European Parliament there is a new cohort of MEPs, including one new Welsh MEP (the other three being re-elected), new Committee Chairs (and Vice Chairs), new membership of Committees, a new political balance and so forth. This will have implications to the points of interaction and points of contact between the Committee and the European Parliament on those dossiers of most interest.

Section 2 looks in more detail at the new strategic priorities of the European Commission, as well as the dossiers of most relevance in the European Commission Work Programme.

Sections 3 to 7 cover a number of other issues of relevance to the Committee's work as part of a broader update on EU-related activities.

2. European Commission's priorities

2.1. *President Juncker's Political Guidelines*¹

In July 2015 Jean-Claude Juncker presented the 'political guidelines' for his mandate as European Commission, under the heading an 'Agenda for Jobs, Growth, Fairness and Democratic Change'. Ten core priorities are identified for 2015-2019, with a central focus on jobs and economic growth, whilst Juncker also makes clear his intention to concentrate EU level intervention on these priorities, and take a less interventionist approach outside of these:

My agenda will focus on ten policy areas. My emphasis will be on concrete results in these ten areas. Beyond that, I will leave other policy areas to the Member States where they are more legitimate and better equipped to give effective policy responses at national, regional or local level, in line with the principles of subsidiarity and proportionality. **I want a European Union that is bigger and more ambitious on big things, and smaller and more modest on small things.**

Given the emphasis on jobs and growth most of these priorities are of relevance to the Enterprise and Business Committee. Notably:

- A New Boost for Jobs, Growth and Investment: the 'Juncker' Investment Plan is the central plank of this (see section 2.2. below)
- A Connected Digital Single Market: as with energy/climate the digital economy is seen as a key potential source of economic growth, with the Commission aiming to overcome fragmentation and barriers that prevent an effective Digital Single Market from developing

¹ See http://ec.europa.eu/commission/2014-2019/president_en

- A Resilient Energy Union with a Forward-Looking Climate Change Policy: this has a particularly strong economic focus (energy/climate seen as growth areas for the economy)
- A Deeper and Fairer Internal Market with a Strengthened Industrial Base: aim for industry to account for 20% of EU GDP (currently it is 16%)
- A Deeper and Fairer Economic and Monetary Union: building on the reforms introduced under the previous Commission (see section 5 for more on this)
- A Reasonable and Balanced Free Trade Agreement with the U.S: i.e. concluding the ongoing TTIP negotiations (see [Research Service blog on TTIP](#) for more background on state of play and concerns/issues in this discussion).²

2.2. *European Investment Plan*

As noted, one of the early ‘big ideas’ that President Juncker has been pushing is the creation of a new European Investment Plan, aimed at kick-starting economic recovery across the EU economy. Juncker published his plans for this initiative at the end of November³, which focuses on delivering a €315bn investment package between 2015-17.

The Assembly’s Research Service published a blog on the proposals (see [InBrief](#) web-pages), and some of the highlights are reproduced here.

President Juncker’s investment plan has three main strands:

- The creation of a new European Fund for Strategic Investments (EFSI). This fund is intended to mobilise at least a €315 billion over the next 3 years, using an investment of €21 billion of public money: €15bn from the EU budget and €6bn from the European Investment Bank (EIB)
- A “Project Pipeline” of viable projects awaiting investment, to allow public and private investors to access information about these projects. These project proposals would receive technical assistance from Commission staff.
- A “Road Map” to remove red-tape and other barriers that hold back investment in Europe.

The European Commission has estimated that these proposals could contribute up to €410 billion to EU GDP over the next three years, and create up to 1.3 million new jobs.

Central to these proposals is the European Fund for Strategic Investments (EFSI). The plan is to use this fund to help finance projects in key strategic areas such as energy, transport, broadband, education, research and innovation. Member States have been asked to submit lists of projects to the European Commission/European Investment Bank Task Force running the Fund, having selected projects according to the following three criteria:

² TTIP is currently the subject of inquiries in two Committees in the House of Commons: [Business, Innovation and Skills Committee](#) and the [Environmental Audit Committee](#); and in the Scottish Parliament’s [European and External Affairs Committee](#). The House of Lords External Affairs Sub-Committee undertook an inquiry into TTIP that [reported in May 2014](#).

³ See http://europa.eu/rapid/press-release_IP-14-2128_en.htm

- EU-added value (projects in support of EU objectives).
- Economic viability and value – prioritising projects with high socio-economic returns.
- Projects that can start at latest within the next three years, i.e. a reasonable expectation for capital expenditure in the 2015-2017 period.

The Commission hopes to have the Fund up and running by mid-2015.

To inform this process a ‘Task Force’ led by the European Commission, EIB and with Member States representatives, undertook a piece of work to identify a potential pipeline of projects for the new EFSI. In December the European Commission published the results of this work⁴, identifying around 2,000 projects across Europe worth some €1.3 trillion of potential investments, out of which over €500 billion worth of projects could potentially be implemented over the next three years. The report comes with a ‘disclaimer’ saying that the list is not definitive and does not guarantee support, as well as saying it doesn’t preclude other initiatives from being included at a later stage.

The UK submitted a list of potential projects, and within this there were a number from Wales (or where Wales was part of a wider UK project). We understand that the Welsh project list is drawn from an update to the Welsh Government’s 2012 Strategic Investment Plan. The Welsh projects are:

- Anglesey Energy Island (Integrated suite of investments in low carbon energy (nuclear, wind, tidal, biomass and solar), anchored by an £8bn investment in Nuclear).
- Swansea Bay Tidal Lagoon (Construct a 'proof of concept' tidal lagoon in Swansea Bay between the ports of Swansea and Neath).
- Nuclear development, with three potential projects with a total of 12.2GW capacity (Hinkley Point C, Wylfa, and Moorside) reaching investment decision in the near term.
- Heat network development. A number of large scale heat networks projects are under development, including in Stoke-on-Trent, Tees Valley, Manchester, Enfield (London), Exeter, Cardiff and Gateshead.
- Flood and Coastal Risk management (Build defences, sustainable urban drainage systems and use land management techniques to prevent flooding, raise awareness of flooding and increase resilience to flooding in Wales).
- Green Growth Fund (To increase and accelerate projects to deliver green investment in Wales. Primary focus on encouraging investment in resource efficiency, renewable energy generation and waste projects).
- Environmental Protection Scheme (To contribute to sustainable development by increasing the level of environmental protection in Wales).
- Cardiff Capital Region Metro (The Metro project is a £3bn integrated transport programme in South East Wales).

⁴ See http://europa.eu/rapid/press-release_IP-14-2480_en.htm

- M4 Corridor around Newport (New Section of Motorway to address resilience and capacity issues on the M4 motorway).
- A465 Capacity and Resilience Enhancements (The scheme, part of the A465 Dualling Programme will improve access to the northern part of Blaenau Gwent which will receive significant regeneration/ community benefits).
- A4232 Eastern Bay Link (Upgrade to existing route to link to Central Cardiff Enterprise Zone to M4).
- A55 Capacity and Resilience Enhancements (Removal of missing links to address capacity issues and improve resilience to the A55).

2.3. *Work Programme 2015*⁵

The Juncker Investment Plan has received mixed reactions, a number of commentators questioning its feasibility. However, it is high on the political agenda at the moment and is one of the core priorities of the Work Programme 2015 (WP2015) published by the European Commission on 16 December.

The WP2015 includes a communication (11 pages long) setting out the rationale for the choices of actions for 2015, and these are grouped around the ten political priorities of the Juncker Commission for 2014-2019. It also includes four supporting annexes, three setting out details of actions proposed over the year (including current initiatives that will be scrapped/withdrawn) and a fourth annex detailing EU legislation that comes into force during 2015 as well as subordinated legislation (implementing and delegated acts) that will be adopted during the year.

The table below draws out those new initiatives for 2015 (from the list of 23 in Annex 1 of the Work Programme) of most relevance to the work of Enterprise and Business Committee.

Looking at these in more detail:

⁵ See: http://ec.europa.eu/atwork/key-documents/index_en.htm



Table 1: selection of most relevant new initiatives (of the 23 proposed in Annex 1 of the European Commission Work Programme 2015) to Enterprise and Business Committee

WP 2015 Initiative (with Short description)	Scope for Committee involvement
Investment Plan for Europe: See section 2.2 above. Launched November 2014. Legislative proposals to be published shortly – will be a top priority for 2015 as the focus is on supporting investments during 2015-2017 period.	Monitoring Welsh Government (and UK Government) engagement with this initiative, including progress in the list of potential projects submitted to the Commission at the end of 2014. Potentially part of a wider piece of work looking at the EIB.
Promoting integration and employability in the labour market: Range of measures to get people into employment, focusing on long-term unemployed, youth unemployment etc. Building on number of existing initiatives such as the youth guarantee.	Explore opportunities and obligations that may come from any new initiatives in this area, including link to the implementation of employability measures under the European Investment and Structural Funds in Wales.
Labour Mobility Package: Measures to support labour mobility and tackle abuse including review of ‘posting of workers’ directive and better co-ordination of social security systems across Member States.	Primarily a non-devolved area. However, may be interest in looking at potential impact to the Welsh economy of any changes to relevant EU legislation on labour mobility.
Mid-term review of Europe 2020 EU’s overarching jobs and growth strategy since 2010 (under President Barroso). Mid-term review was launched in 2014 and the Commission will present a Communication on the results of this during 2015.	Monitoring Welsh Government participation in the review. Considering impact of any changes in the Europe 2020 strategy to Wales, in particular the implementation of EU funding programmes.
Trade and Investment Strategy for Jobs and Growth: this is broader than TTIP (EU/US negotiations). However, TTIP is a key element of the trade agenda for 2015, with the Commission aiming to conclude negotiations during 2015, a timeframe the European Council endorsed in December 2014.	Primarily focus on the economic questions – impact on Welsh business, Welsh Government’s approach to trade and investment. Questions around public service provision likely to be of more interest to other Committees (e.g. Health and Social Care Committee).
Digital Single Market (DSM) Package: One of Juncker’s ten priorities is to develop the digital single market, which along with energy union, is seen as a key strategic area for stimulating economic growth and job creation.	As with the Energy Union and reforms to the Single Market, the Digital Single Market is a major pan-EU initiative. As such the scope for influence and input from Wales is likely to be limited. However, the Committee may be interested to look at how this fits with Welsh Government priorities.
Strategic Framework for the Energy Union: will focus on energy supply security, integration of national energy markets, reduction in European energy demand, decarbonising the energy mix and promoting research and innovation in the energy field. It will include revision of the EU Emissions Trading System.	Environment and Sustainability Committee would have lead responsibility for this within the Assembly. However, given the strong economic dimension Enterprise and Business Committee may wish to keep an eye on this dossier.

Of the **80 current legislative proposals to be withdrawn or threatened with withdrawal (as set out in Annex 2 of WP2015)** the Committee's attention is drawn to:

- **Waste circular economy** (legislative package): originally published in 2014 this will be withdrawn and replaced by a 'more ambitious' package of proposals to be presented during 2015. Within the Assembly this dossier is on the radar of Environment and Sustainability Committee. However, it is also of potential interest to Enterprise and Business Committee given there is a strong economic rationale underpinning this review of EU waste legislation, aimed at stimulating innovation, jobs and new businesses through the creation of a 'circular economy' with more effective use of resources.

3. **Latvian EU Presidency (of the Council)**⁶

Latvia holds the EU Presidency of the Council for the first six months of 2015 (Luxembourg for the second half of the year). The EU Presidency chairs the Council, which means it steers the day-to-day work of the Member State governments' engagement in the EU policy and law-making process. The EU Presidency also represents the Council in negotiations with the European Parliament and European Commission on legislative proposals.

The Latvian Presidency will focus on three priorities, each of which has strong read across to the ten political priorities of the Juncker Commission:

- **Competitive Europe:** four main topics on the agenda (i) Juncker's Investment Plan; (ii) Single Market reforms (iii) better regulation to enhance industrial competitiveness (iv) energy union
- **Digital Europe:** five main topics (i) data protection (ii) cybersecurity (iii) initial discussions on Digital Single Market strategy (iv) progress negotiations on the telecommunications market package (v) advance digitalisation of Europe including digital skills, eGovernment
- **Engaged Europe:** external policy dimension. Among the topics the most relevant to this Committee is the TTIP negotiations

In theory this should mean progress during the Latvian Presidency on these area, although this will clearly depend on the substance of the discussions.

4. **EU Funding**

The Ministerial scrutiny session with Jane Hutt AM will cover the Welsh Government's preparations for the new European and Structural Investment Programmes in Wales, as well as follow up the Committee's inquiries into Horizon 2020 and EU Funding Opportunities 2014-2020. These are, therefore, not covered further in this paper.

5. **Eurozone crisis, reform of economic governance, Banking Union**

During the previous European Parliament and European Commission (2009-2014) there was a plethora of legislation in the financial services and banking sector, aimed at introducing a stronger regulatory framework to address some of the perceived causes of

⁶ See Latvian EU Presidency web-site: <https://eu2015.lv/>

the financial and economic crisis. This was accompanied by a drive to strengthen the economic governance of the Eurozone (and the wider EU), within the context of the financial rescue packages put together for individual countries (e.g. Greece, Portugal, Ireland) including EU and IMF guarantees aimed at avoiding financial meltdown, and which with time has moved towards a structured and more 'long-term' approach to reform of the EMU.

The European Commission's 'Economic Governance' web-pages explain this process in detail, including the different legislative packages (the so-called Six Pack and Two-Pack) introduced over this period, and the so-called [Fiscal Compact Treaty](#) (agreed as an 'international treaty' in December 2011 and later signed by 25 Member States – UK and Czech Republic did not sign it). These translate into a monitoring, prevention and correction mechanism for EU economic governance, with particular measures for the Eurozone area, and include actions to strengthen at EU level budgetary surveillance, introduction of budget breaks, and stronger alignment of budgetary planning cycles.⁷

One important aspect of this process was the creation of the **European Semester**⁸ agreed in 2010 (and introduced in 2011), as an annual cycle to strengthen co-ordination between economic policies at EU and at Member State level. The European Commission publishes an Annual Growth Survey, an Alert Mechanism (concerning public deficits/expenditure) and Employment Guidelines to launch this cycle, the latest versions published in November 2014. These are used to inform the Stability and Growth Programmes/National Reform Programmes of Member States, and include country specific recommendations and guidelines for individual Member States to take action. These are considered European Council at its Spring meeting and subsequently agreed by EU Heads of State and Government in June. Member States are then responsible for implementing agreed priorities and actions.

The Welsh Government, along with the other Devolved Administrations, participates in the process for evaluating and revising the UK National Reform Programme, with the UK Government leading this process.

For the 2014-2020 European Investment and Structural Funds a direct link has been made between this economic policy cycle and the different programmes, including the introduction of macro-economic conditionalities aimed at ensuring the programmes support delivery of agreed economic reforms and priorities.

6. Other areas of potential interest

6.1. *Working time directive*

The European Commission launched a consultation on the review of the Working Time Directive in December 2014 (closes March 2015). This dossier has a long history, following a failed attempt to agree revisions to the original Directive in 2006-2009 period, with the UK one of the Member States forming a blocking minority. Since 2010 the dossier has

⁷ See http://ec.europa.eu/economy_finance/economic_governance/index_en.htm

⁸ See http://ec.europa.eu/economy_finance/economic_governance/the_european_semester/index_en.htm

stalled, and the European Commission is once again looking at the case for revising the legislation.

This will be of particular interest to the NHS in Wales, as potential changes to definitions of 'on-call' time and implications to emergency services in particular, were central concerns for the UK Government in the past. However, it is a dossier that the Enterprise and Business Committee may also wish to keep on its radar.

6.2. *Murco oil refinery*

In December the Research Service prepared a [blog on the closure of the Murco Oil Refinery](#), following the discussions in plenary with the Minister for Economy, Science and Transport Edwina Hart AM on potential EU funding support that could be available to assist the workers facing redundancy.

The Research Service blog looks in particular at the European Globalisation Adjustment Fund (EGF), which was established in 2006 to provide support to people losing their jobs because of major structural changes in world trade patterns owing to globalisation. Funding can be made available when a large company shuts down or production is moved outside the EU, or when jobs are lost as a result of the global economic and financial crisis.

To date the UK has not submitted an application to the EGF.

7. **Committee of the Regions**

The Committee of the Regions, contingent on formal agreement being confirmed by the Council of the European Union, will commence a new five-year mandate (for 2015-2019 period) shortly. This means there will be a new membership, including a new Welsh delegation, as well as changes to the committee structures (known as 'Commissions').

The Welsh members of the CoR will be (three of whom are incumbents):

- **Mick Antoniw AM** (full member): he is hoping to sit on the SEDEC Commission which deals with social affairs, education, employment and culture. He also hopes to continue as a member of CORLEAP, the 'Eastern Partnership' bringing together representatives of the former Soviet bloc countries bordering or close to the eastern border of the EU.
- **Rhodri Glyn Thomas AM** (alternate member) is hoping to sit on the ENVI Commission, which deals with environment, energy and climate change.
- **Councillor Bob Bright** (full member) is hoping to sit on the COTER Commission, which deals with Cohesion Policy (Structural Funds), Territorial Cohesion and budget.
- **Councillor Ronnie Hughes** (alternate member) is hoping to sit on the NAT Commission, which deals with agriculture, rural, fisheries and maritime affairs.

The allocation of Commissions to the UK members will be confirmed at a UK delegation meeting in LGA House, London on 23 January.

The first plenary session of the new CoR was originally scheduled to take place in Brussels from 11-13 February. However, it is not clear if the Council will have formally approved the new mandate in time for this session to take place. If this doesn't happen, then the first plenary is unlikely to take place before March.