

European Commission's draft proposal for a Recovery Action Plan

The draft takes as point of departure a scenario according to which “we are at an early phase of the crisis and do not know how it will develop in the EU”, with the risk that “the liquidity crisis will morph into an economic depression that directly affects economic productivity, employment and the growth rates in the coming years”.

The plan aims at “Integrating the green transition and the digital transformation in a coherent EU recovery plan from the Coronavirus crisis”, under the reminder that the Green Deal was already conceived as a growth strategy and the confirmation that digital technologies are proving to be a global solution to many immediate aspects of the COVID-19 crisis, notably in terms of keeping economic and social activities alive despite social distancing

It draws lessons from the 2008 economic and financial crisis, by proposing a coordinated Recovery Plan to steer national measures to ensure that European industry can lead on clean energy and mobility, green industry and digitisation, and not limited to quantitative easing in general or focused on the short-term job creation at the expense of longer term sustainability goals.

The Recovery Plan addresses three areas

- What to achieve within the next 12-24 months and on the mid-term (2-5 years) in order to make a difference at scale for the economic recovery? The Commission wants to focus on measures be capable of immediately delivering, including improving energy efficiency, rapid deployment of clean and circular technologies, investments in digital infrastructure, deployment of existing data and information sharing tools, and building the necessary data spaces. In the medium term, focus could be put on green steel, clean hydrogen, or artificial intelligence based innovation, with investments in strategic digital capacities (supercomputers, AI dataspaces, cybersecurity, skills) and high-speed connectivity solutions
- How to finance these investments? The Commission proposes to a) tailor general measures undertaken by governments to avoid bankruptcies and job losses towards businesses committing to invest in priorities such as energy efficiency, renewable energy measures, digitisation, circular products or sustainable mobility ; b) adopt a new MFF as quickly as possible and use it via existing or planned instruments (Invest EU, or a separate digital facility, and the Digital Europe Programme as examples), completed by EU-wide/major digital projects.
- How to facilitate and coordinate these investments to enable speed and maximum effect? The Commission proposes to focus on a) simplifying further the regulatory procedures on the model of the State Aid Temporary Framework or fiscal flexibility, b) an U wide investment instrument such as a boosted InvestEU and a recovery mechanism and c) an ambitious EU trade policy, “assertive tools to ensure a level playing field in the single market and protect our strategic assets and technologies from investments that could threaten our security or public order”.

The document is accompanied by an annex, consisting of ten flagship areas for recovery action, defining areas and means for investment (with all available instruments).

Six flagship areas are related to “green recovery”

a. Renovation wave

Areas covered could be large-scale insulation, rooftop solar-PV installation, water efficiency systems and electric charging points for vehicles at houses and buildings, with the use of sustainable materials and in line with circularity principles, renewable district heating, with a support for start-up and scaling up of energy service companies, grants for consumers and local governments, green mortgages and

tax breaks. This could be accompanied by scrapping programmes of household appliances, in particular heating and cooling systems and fridges and reskilling programmes to increase professionals' knowledge in smart renovations, including digitisation.

b. Acceleration of renewables

Areas covered would be the implementation of renewable energy projects, especially wind and solar (transmission and distribution), an upgrade of the energy infrastructure (gas and electricity), including the storage capacity (batteries and hydrogen), the development of energy technologies across the entire value chain. In the following years, the programme could be expanded and support more widely the overhaul of Europe's basic infrastructure including the electricity network, hydrogen infrastructure, CCS infrastructure, digitisation of network management.

c. Clean transport revolution

Areas covered would be a comprehensive roll-out of charging infrastructure for zero emission vehicles, digitisation of public transport and intermodal mobility, construction of clean infrastructure, including bus and bike lanes, an investment programme in the "Renaissance of Rail", and a programme to electrify harbours and airports. Support to purchase of low and zero-emission vehicles would be given by the creation of a (private and public) buyer coalition and guarantees from the European Investment Bank could support the creation of Member States programmes for individual households and smaller businesses with vehicle scrapping programmes, tax rebates and other incentives to buy or lease clean cars.

d. Modernisation towards clean and circular industry

Areas covered would be digitisation, production of zero/low emission and circular steel, cement, basic chemicals, vehicles, wind, solar and hydrogen (Gigawatt-sale production) power, batteries, battery recycling, zero/low emission fuels, including sustainable aviation fuels, aircraft/vessel design and engine efficiency, carbon capture, use and storage, production of high quality recycled materials. Support would be given to circular economy start-ups, for example next generation battery factories, low emission and advanced circular materials and their recycling such as for construction and textiles, digital and distributed manufacturing, 3D printing facilities for product repair and digital repositories for repair manuals, mechanical recycling infrastructure, sustainably sourced bio-based materials, and business models favouring access over ownership with manufacturers treating their products as material banks

e. Farming for the future

Areas covered include methane emission reduction mechanisms to transform this into biogas, carbon capture by farmers (seen as a promising green business model), precision farming made available to all farmers, and in a second stage innovative technologies to produce food in a less resource intensive, safer and circular way, e.g. vertical farming, alternative proteins, nutrient cycling systems, reducing food waste, efficient use of external farm inputs, lower carbon footprint of food industry and food distribution and retail systems.

f. Climate-proofing European Infrastructure

Areas covered are urban infrastructure, public health systems, roads, railways, ports, industry, and farming infrastructure, nature-based infrastructure that will improve protection against heat waves, floods, sea level rise, improve water use efficiency and water reuse systems and will make the EU economy climate resilient.

Four flagship areas relate to the “digital recovery”: they focus less on concrete areas and more on leveraging legislation or programmes to reach objectives

g. Reinforcing the Single Market

Areas covered include the removal of obstacles for companies, especially SMEs, to use digital tools and get free access to data, reduce red tape through digital solutions, encouraging Member States to make one stop shops and related services available online. This includes also a rapid implementation of the portability right to allow SMEs and consumers at large to easily switch suppliers, the implementation of the company law package, which facilitates the digitisation and mobility of companies, and of the contract law initiatives, the implementation of the Late Payment Directive, a proposal for a Digital Services Act, an EU initiative on digital tax and a reinforced FDI screening mechanism, with an expected White Paper on an instrument on foreign subsidies, also looking at foreign access to public procurement and EU funding.

h. EU-wide digital capacities

Areas covered include EU and Member States to increase availability to clarify the applicability of the GDPR to data gathering and development of technology foreseen for tackling the crisis, prioritisation of the Data Strategy towards the health and tourism sector or speeding up the implementation of the Single Digital Gateway for SMEs, the free use of the EU Space data and services by governments, administrations, public or private companies to develop their own applications to respond to their own needs. The EU cybersecurity strategy may have to be reviewed, including the review of the Directive on Security of Network and Information Systems. In a second step, areas of work would include a trusted and secure digital identity for every citizen, the development of national e-procurement systems and platforms with the increase of interoperability between these e-platforms, the improvement of connectivity in terms of broadband communication and mobile devices, notably via the deployment of 5G and the acceleration of coordination and investments into fixed and mobile infrastructures in Europe

i. Empowering people

With the sudden turn to digital solutions for work, there is an urgent need to rethink the EU Skills Agenda, the proposal for a Council Recommendation on vocational education and training and the Digital Education Action Plan, which will have to propose robust long-term measures for a changed educational and business environment. Provision of proactive digital training and reskilling could be done via Digital Innovation Hubs, the development of Digital Crash Courses for SME employees to become proficient in areas such as AI, cybersecurity or blockchain.

j. Upscaling digital investment

The covid-19 crisis steps up investment needs and calls for a coherent and sound investment strategy in digital transformation that addresses research and innovation, digital capacities, human capital and businesses. This will be partially addressed by reprogramming available resources under Horizon 2020, CEF Telecom, EFSI and the Structural Funds, focusing on health and on eGovernment and e-learning, including supporting acquisition of IT equipment for households and teachers and trainers, making available free online educational resources, and improved connectivity solutions Work on the new MFF has to be adapted to prioritise digital investment and ensure higher synergies between grant based and financing based tools.

To address the major investment needs and the fragmentation of digital investment in the EU, a possible scenario could be to increase the proposed budget guarantee under the InvestEU scheme and work with the EIB group to define more risk-based tools to pool further investment into the relevant windows, or to set up a digital facility separate from InvestEU, with a greater risk profile. International cooperation could be accelerated via an earlier adoption of the Global Digital Cooperation Strategy foreseen for 2021.