CEPS SPECIAL REPORT
Thinking ahead for Europe

Priorities for the Juncker Commission

Policy recommendations and advice from the research team at CEPS

No. 92 / October 2014

Abstract

In the months leading up to his nomination as President of the European Commission by the European Council in June 2014 through to his approval by the European Parliament in mid-July and finally his approval at a second special summit in August, CEPS' researchers have closely followed the travails of Jean-Claude Juncker. We have also carefully studied his fundamental restructuring of the College in re-grouping commissioners around seven project teams, each headed by a vice-president. In our view, these changes promise to improve internal coordination, policy-making and transparency of rule-making and hopefully will reduce the personalisation of portfolios. This Special Report brings together under a single cover a series of 14 separate commentaries prepared by senior CEPS researchers, offering their assessment of these profound changes underway and their policy advice to the new commissioners from the perspective of their field of specialisation.

ISBN 978-94-6138-422-5

CONTENTS

Part I. Leadership, Structure and Process

1. Juncker raises high expectations with ambitious agenda

Karel Lannoo[*]

Based on his speech to the European Parliament on July 15th, following his election as President of the European Commission, Jean-Claude Juncker clearly opted for 'more Union' during his five-year term, offering up an ambitious agenda that raises a host of expectations. This contribution outlines the most salient items on Juncker's agenda, focusing on the most laudable and those that will pose the greatest challenges.

Energy Union, Capital Markets Union, a stronger EEAS and no new enlargements over the next five years. Jean-Claude Juncker has clearly opted for 'more Union' during his term as President of the European Commission, offering up an ambitious agenda that raises a host of expectations, some of which will be hard to meet. To some extent, it could be considered as a traditional Commission agenda, with the completion of the single market; on other issues, however, it opens the scope for institutional reform, with better decision-making and a stronger hierarchy within the Commission, with for example the idea of 'deputising the High Representative' for all the external action portfolios and the acceptance of a multi-speed Europe. And as a Luxemburger, he has also placed further tax harmonisation on the agenda.

The central theme of the speech he delivered 15 July 2014, following his election by the European Parliament, was an 'Agenda for Jobs, Growth, Fairness and Democratic Change'. Jobs and growth would mainly be addressed via a massive public and private investment programme of €300 billion using existing facilities under the EU budget and European Investment Bank programmes. The Digital Agenda should create further growth opportunities generating "hundreds of thousands of new jobs". The new Commission President will therefore pursue an ambitious legislative programme towards a connected digital single market.

A focal point of his speech was the Energy Union, which mainly aims to reduce import dependence by pooling resources, combining infrastructure and diversifying energy sources. Contrary to the June European Council Conclusions, Juncker also emphasised the need to unite member states' negotiating power vis-à-vis third countries. No details were given, however, how all of this would be put in place beyond the fact that energy infrastructure, renewable energy and energy efficiency were named among the primary targets of the investment programme mentioned above. More generally, we may expect 'more Europe' in energy policy, and his call for Europe to become "the world number one in renewable energies" together with his call for a binding and ambitious energy efficiency target may be an indication that he is serious about the transition to a low-carbon economy. If Juncker wants to limit the cost of this transition, however, he must also put a stronger focus on energy prices to avoid excessive cost for households and industry.

A more disappointing point on Juncker's agenda is his stated ambition to restore the industry's weight in the EU's GDP "back to 20% by 2020" from its less than 16% share today, which has also been the motto of DG Enterprise for some time. It remains unclear how this target was

---

[*] Karel Lannoo is Chief Executive Officer and Senior Research Fellow at CEPS. This contribution was originally published as a CEPS Commentary on 16 July 2014 (http://www.ceps.eu/book/juncker-raises-high-expectations-ambitious-agenda).

arrived at, and how Europe could regain competitiveness in sectors where it has lost market share. It is as absurd as advocating a greater share of agriculture in the EU's GDP. It would have been more useful to call for a more European industrial policy or greater coordination of national R&D agendas across member states.

On the external side, the President-elect called for a reasonable and balanced trade agreement with the US, and for a better functioning external action service. "The next High Representative (…) will have to be a strong and experienced player to combine (…) all the tools available in the Commission, in a more effective way than in the past." The successor to Catherine Ashton will need to work in a clear hierarchical relationship with the other external relations Commissioners. Also remarkable was Juncker's statement that "no further enlargement will take place over the next five years", which raises questions about the expectations it creates both inside and outside, as the EU is still actively engaged in accession negotiations with six different countries.

The final item on Juncker's agenda – to bring about a union of democratic change –can only materialise if the European Parliament plays a stronger role. The Commission President-elect supports greater politicisation of the European Commission, a development of which many within the Commission are fearful. He calls for a political dialogue with the EP, not a technocratic one, through, for example, sending political representatives to the trilogues. This should also increase the transparency of these negotiations. In the last Parliament, trilogues in first readings had become very common, but they are not a hallmark of transparency in decision-making.

A full slate of ambitions has been placed on the table to be rendered more concretely in the months ahead. But the tone has been set, and expectations have been raised.

2. The Juncker Commission: A bold bid to restore the College

*Karel Lannoo**

In assessing the composition and structure of the new European Commission announced 10 September 2014 by Jean-Claude Juncker, this contribution finds that new President has revealed a welcome determination to fundamentally change the structure at the top, the capacity to think ahead in the division of portfolios and the ability to juggle many different personalities in the College.

In announcing the composition and structure of the new European Commission, Jean-Claude Juncker indicated his determination to fundamentally change the structure at the top and his capacity to think ahead in the division of the portfolios and to juggle many different personalities in the College. The clustering of commissioners around seven project teams, each headed by a vice-president, promises to improve internal coordination, policy-making and transparency of rule-making and to reduce the personalisation of portfolios. At the same time, Juncker has restructured the Directorates-General to make them fit better with the new division of responsibilities. He will now need to demonstrate that he can make it work in practice.

In his maiden speech before the European Parliament on July 15th, Juncker unveiled his intention to change the functioning of the new Commission, with the proposal to deputise the external portfolios in the Commission to the High Representative. He has now extended this concept to the entire Commission College with the seven 'Project Teams', representing the priority areas for the EU Commission for the years to come. Energy Union is one of these projects, as well as better regulation and the digital single market. The heavy portfolio Single Market, previously under Commissioner Michel Barnier, has been split over several different Commissioners.

Attributing 26 different portfolios across the College, taking into account the personality, nationality, and expertise of each Commissioner-designate and ensuring that the scheme will work efficiently and consistently is a gigantic task. At first sight, the Commission president seems to have managed to come to a well-balanced and workable division of responsibilities, addressing shortcomings related to the large number of commissioners without creating first- and second-class commissioners but promoting collegiality.[1] All the vice presidents, except the High Representative, come from smaller member states. Five of them have no Directorate General. The Commissioners appointed by the governments of the other five larger member states have been given important portfolios, with one or two DGs under their responsibility, but they will need to share responsibility for these portfolios with a vice president and work together with other members of the Commission. This is also the case of Commissioner Lord Hill, who will be in charge of financial services and the Capital Markets Union but will also

* Karel Lannoo is Chief Executive Officer and Senior Research Fellow at CEPS. This contribution was originally published as a CEPS Commentary on 11 September 2014 (http://www.ceps.eu/book/juncker-commission-bold-bid-restore-college).

[1] In its examination of these shortcomings in terms of both efficiency and democratic accountability, the CEPS High-Level Group on EU institutional reform recommended the creation of clustered commissioners (see www.ceps.be/book/shifting-eu-institutional-reform-high-gear-report-ceps-high-level-group).

have to work in close cooperation with the Vice Presidents responsible for the Euro and Social Dialogue and Jobs, Growth, Investment and Competitiveness. Given the advent of the SSM (Single Supervisory Mechanism) and Banking Union, maintaining coherence in the single financial market will be a challenge, especially for a politician from a non-eurozone member state.

Another novelty is the creation of the post of first vice president. The Commissioner-designate for this new position is the current Dutch Foreign Minister Frans Timmermans, who belongs to the other main political family in the European Parliament, the Socialist Party (PES), and enjoys a strong reputation at home. He is charged with two rather different tasks, better regulation and Rule of Law. The socialists therefore have been given a very high profile in the new Commission (the High Representative is also a socialist). The other vice presidents come from the liberal group (Alenka Bratušek[2] for Energy Union and Andrus Ansip for Digital Single Market) and the centre right group (Kristalina Georgieva for Budget and Human Resources, Jyrki Katainen for Jobs, Growth, Investment and Competitiveness and Valdis Dombrovskis for the Euro and Social Dialogue). This is another important signal that Juncker wants the Commission to work as a college. As he said in his opening statement, the Commission will be political, but not politicised.

Very few of the portfolios of the last Commission have survived as they were previously known, with the exception of those related to core competences that are more difficult to split or to merge with others, such as Competition and Trade. But here again, the designated Commissioners are expected to work together with the others, in project teams under the leadership of a vice-president. The main challenge is ensuring that these teams can effectively work together. The 'mission letters' sent by President Juncker to the members of his team give some additional details, but questions remain.[3] This novelty is probably most important to clarify today for the portfolio of Commissioner Pierre Moscovici, Economic and Financial Affairs, which falls under the team of Vice-President Valdis Dombrovskis, and for the portfolio of Miguel Arias Cañete, Climate Action and Energy, which falls under the team of Vice-President for Energy Union Šefčovič. The dynamic team structure implies that some commissioners are expected to liaise with more than one vice-president, which in practice can produce results that are more complicated than expected.

It is now up to the European Parliament to give its consent to the entire College of Commissioners, including the President and the High-Representative and allow the Juncker Commission to start work on 1 November 2014. Despite the huge significance of this step in terms of reinforcing the democratic legitimacy of the EU institutions, it is important that the duration of the transition is kept to a minimum in light of the magnitude of the challenges facing the EU on all fronts.

---

[2] Later replaced by Maroš Šefčovič after Bratušek withdrew in the course of the confirmation hearings.

[3] See http://ec.europa.eu/about/juncker-commission/mission/index_en.htm for the 'mission letters'.

3. The government Europe deserves?
Daniel Gros[*]

Leaders of the EU's institutions have to be political entrepreneurs if they are to leave a mark on history. Their decision-making power is limited, but they can often frame the choices and broker coalitions to push the existing boundaries of European integration. This contribution finds that none of the EU's top three new faces – Jean-Claude Juncker, Donald Tusk or Federica Mogherini – has a track record in this sense. Its most sobering message gleaned from the whole appointment process is that the member states' leaders will not suffer anyone who might rock the boat and push integration forward. That there will be little movement towards the "ever-closer union" envisioned in the Treaty of Rome might come as a relief for those fearing domination by Brussels (like many in the UK), but it can only dismay those who hope that, despite its sluggish economy and declining population, Europe can become a relevant global actor.

With the final allocation of portfolios within its executive branch, the European Commission, the European Union completed its change of guard. The process took almost four months from the European Parliament election in late May, and the end result was inevitably based on a series of compromises – par for the course in an EU of 28 prickly nation-states.

Indeed, the proper functioning of EU institutions requires that no important constituency (left or right, East or West, and so forth) feels left out. And the new European Commission looks rather strong, given that over 20 of its overall 28 members had previously been prime ministers, deputy prime ministers or ministers. People who have held high political office at home find it worthwhile to come to Brussels.

But most attention has focused on the EU's top three positions: the President of the European Commission, the President of the European Council, and the High Representative for external affairs.

The Commission's new President, Jean-Claude Juncker, was the first ever to be selected based on his faction's strong showing in the European Parliament elections in May. As a seasoned Brussels insider, he was not one to move the crowds, but sometimes this can be an advantage. An insider knows best how to reconcile contrasting interests and to get the institutional machinery moving again, as Juncker showed with his deft handling of the distribution of tasks among the individual Commissioners.

Selecting the President of the European Council required considerable time and horse-trading, with Polish Prime Minister Donald Tusk emerging as the final choice. Although Tusk now has an important-sounding position, in reality the European Council President decides nothing. The president mainly presides over the meetings of the EU's national leaders, and his or her influence depends on his ability to set the agenda and facilitate compromises.

The experience of the previous incumbent, former Belgian Prime Minister Herman van Rompuy, in dealing with his own country's fractious coalitions proved very useful when he had to persuade the national leaders to take decisions during the euro crisis. Tusk will have to

---

[*] Daniel Gros is Director of CEPS. This contribution was previously published by Project Syndicate, 16 September 2014 (www.project-syndicate.org/commentary/daniel-gros-rejects-the-view-that-the-european-parliament-election-amounted-to-a-rejection-of-the-eu) and was republished with the kind permission of Project Syndicate as a CEPS Commentary on 17 September 2014 (http://www.ceps.eu/book/government-europe-deserves).

achieve something similar in the face of the new challenges facing Europe today, which include Russian aggression in Ukraine, the rise of terrorism in the Middle East and a stagnant economy at home.

On the EU's most immediate challenge, the one posed by Russia, Tusk will have to broker decisions with leaders from countries that feel imminently threatened (like his own) and those for which economic ties with Russia outweigh the threat to European security, which they feel to be remote. On the economy, he must reconcile the priorities of full-employment Germany with those of Greece or Italy, which remain in the grip of recession and sky-high unemployment. Being able to converse directly with the Council's members, mostly in English, might be the biggest immediate challenge, as he readily admitted.

The appointment of the Italian Foreign Minister, Federica Mogherini, as High Representative of the Union for Foreign Affairs and Security Policy has been widely questioned, owing to her limited executive experience in foreign policy. But, since the *de facto* invasion of Ukraine in late August, her government has changed its position on Russia, and she has sought to convince many critics that she knows the problems facing Europe well (her university thesis, for example, was about political Islam).

But can she lead? Europe's foreign service, the European External Action Service (EEAS), is a huge bureaucracy, which must be managed well if it is to be effective. And, although the head of the EEAS has been dubbed the "EU's foreign-policy chief", Mogherini should be seen as its CEO, with key decisions taken by the member states' leaders when they convene in the European Council. Her lack of managerial experience is thus her key weakness, and she will have to form a strong team to support her.

But there is at least one encouraging, if hidden, signal from Mogherini's appointment: The fact that the European Central Bank President Mario Draghi is also an Italian was not an impediment. This implies that the ECB presidency is not counted among the posts to be distributed according to nationality quotas, and that Draghi's nationality is not regarded as influencing his decisions in any way.

Leaders of the EU's institutions have to be political entrepreneurs if they are to leave a mark on history. Their decision-making power is limited. But they can often frame the choices and broker coalitions to push the existing boundaries of European integration. None of the EU's top three new faces (Juncker, Tusk or Mogherini) has a track record in this sense. Apparently the national bosses like it that way.

The most sobering message from the whole appointment process is thus that the member states' leaders will not suffer anyone who might rock the boat and push integration forward. There will be little movement towards the "ever-closer union" envisioned in the Treaty of Rome. That might come as a relief for those fearing domination by Brussels (like many in the UK), but it can only dismay those who hope that, despite its sluggish economy and declining population, Europe can become a relevant global actor.

4. Relative Direct Democratic Legitimacy
Daniel Gros[*]

On the occasion of the European Council meeting on 26-17 June 2014, to confirm Jean-Claude Juncker as the candidate for President of the European Commission, this contribution was published to demonstrate that the Council should de facto also be considered more a 'mini parliament' than an assembly of states and that the European Parliament cannot claim the monopoly on democratic legitimacy.

It is clear that the voting powers in neither the European Council, nor the European Parliament conform to a pure principle of equality of states or equality of votes. For example, the 14 smallest member states make up one-half of the total number of member states. In a hypothetical 'Senate' made up of the same number of representatives for each member state, they would have one-half of the votes. Under the voting weights currently in force in the Council, however, these states account for only 24% of all votes – or about one-half of the weight they would have under a principle of equality among states.

These 14 smallest member states also account for only about 10% of the population of the EU-28. This implies that representatives from these countries should have only 10% of the seats in a parliament in which voters are equally weighted under the principle 'one man, one vote'. However, the MEPs elected in these 14 countries represent almost 20% of all MEPs, which is double the population share.

One way to measure the relative weights given to the two fundamental principles 'one man one vote' and 'one state one vote' is to ask which kind of weights would lead to the observed distribution of votes in both Council and Parliament.

This weight (denominated by α) can be calculated from the same equation, separately for the Council and the EP:

$$\text{Share of MEPS}_{14\ \text{smallest}} = \alpha * \text{share in population}_{14\ \text{smallest}} + (1-\alpha)*\text{percent of member states}_{14\ \text{smallest}}$$

$$\text{Share of Council votes}_{14\ \text{smallest}} = \alpha * \text{share in population}_{14\ \text{smallest}} + (1-\alpha)*\text{percent of member states}_{14\ \text{smallest}}$$

For the example given above, it turns out that the weight assigned to population in the Council votes is about 65%, (and that given to the equality among member states only 35%). This outcome means that the Council is far from representing the principle of equality of states, which would have implied a weight of zero for population. In actual practice, the Council appears to be closer to a mini-Parliament than to an assembly of equal states. For the European Parliament, the weight assigned to population is naturally higher, at about 76%. This outcome implies, however, that the EP also deviates considerably from a pure representation of the principle of equality of voters, independently of where they live (which would have implied

[*] Daniel Gros is Director of CEPS. For a practical application of the principles he presents in this contribution, see his column in Project Syndicate, 17 June 2014, in which he rejects the view that Jean-Claude Juncker has a democratic mandate to lead the European Parliament (www.project-syndicate.org/commentary/daniel-gros-rejects-the-view-that-jean-claudejuncker-has-a-democratic-mandate-to-lead-the-european-commission). This contribution was originally published as a CEPS Commentary on 26 June 2014 (http://www.ceps.eu/book/relative-direct-democratic-legitimacy).

a weight of 100% for population). In reality the European Parliament still adheres 24% to the principle of equality of states. In other words, popular representation in the EP could be considered as a hybrid reflecting 24% of the US Senate and 76% of the US House of Representatives.

The same calculation can also be done for the four largest member states, which account for approximately one-half of the EU's total population, but only 14% of all member states and still exercise one-third of the Council votes. In this case the implicit weight for the population in determining Council votes is about 50% (implying in reality that the Council is about half way between a Parliament and an assembly of equal states). Given the number of MEPs coming from these four countries, the weight of the population principle for the EP is, at around 73%, again rather high, but clearly below 100%.

5. Making the Institutions Work Better and More Effectively Together: Priorities for the New Commission

Philippe de Schoutheete[*]

This contribution takes as it point of departure the assumption that institutional treaty change cannot be a priority, although it does not exclude that it may become possible and desirable at a later period of economic growth and greater self-confidence in public opinion. In a best-case scenario, it foresees that such a window of opportunity might open towards the end of the present legislature. But in the meantime, it advises concentrating attention on adapting the institutions to make them work better and work more effectively together.

The priorities of the European Union in the field of institutions are circumscribed by the premise that any new treaty negotiation would, at present, be a fruitless exercise, probably dangerous and condemned to failure. In the present state of public opinion, nobody believes that a substantial European treaty could be unanimously ratified, irrespective of its merits. Preoccupations lie elsewhere, in growth and unemployment, and a treaty negotiation on institutions would seem provocative to many. Doubts about the future participation of the United Kingdom in the European enterprise merely increase the risks of any treaty negotiation.

We have to accept that, as of now, institutional treaty change cannot be a priority.

This does not exclude that treaty change may become possible and desirable at a later time, in a period of economic growth and greater self-confidence in public opinion. In a best-case hypothesis, such a window of opportunity might open towards the end of the present legislature. Meanwhile, attention must concentrate on adapting institutions to make them work better and work more effectively together. Therein lie the priorities.

The European Council

For many years the European Council has *de facto* been the central decision-making body in the Union. That position was consolidated by the Lisbon Treaty which recognised it as a formal institution of the Union and gave it a permanent president. The euro crisis enhanced its power because it called for important and urgent decisions, with serious consequences in member states and frequently outside the scope of treaty provisions. Such decisions could only be taken at the top level.

The tenure of Herman Van Rompuy has established the role and functioning of the presidency of the European Council. He called meetings, largely determined the agenda and controlled the preparatory work through various channels, including sherpas and numerous personal contacts. He prepared draft documents, negotiated compromises, chaired the meetings and

[*] Philippe de Schoutheete is former Permanent Representative of Belgium to the European Union and a former member of the CEPS Board of Directors. He currently serves as a member of the Board of Directors of Notre Europe. This contribution was originally published as a CEPS Commentary on 1 October 2014 (http://www.ceps.eu/book/making-institutions-work-better-and-more-effectively-together-priorities-new-commission).

oversaw the implementation of decisions taken. He had a role of external representation in a variety of international meetings held at the top level. And he did all this with a relative low level of visibility in the media, in order not to detract from the visibility sought by national leaders.

It is reasonable to believe that Donald Tusk will seek to follow the same *modus operandi*, which has been generally considered as successful. He may be hampered, at first, by his linguistic abilities: difficult compromises are more difficult to secure when an interpreter is required. But his general approach to the task can be expected to be similar to that of Mr Van Rompuy.

Some consideration should be given to relations with the Commission and the Parliament. Although the European Council is, by treaty, a Union institution, it is still largely considered in the Parliament and the Commission, and at various levels, as a dangerous intergovernmental intruder, foreign to the 'Community method' and destabilising the traditional 'institutional triangle'. Conversely, quite a few members of the European Council look with suspicion at the increased power exercised by the Parliament and Commission. Such a level of mistrust is detrimental to the good working of the institutions.

- Presidents Van Rompuy and Barroso have managed, through regular weekly contacts and personal dedication, to avoid the clashes that many experts predicted as inevitable. Indications are that Van Rompuy, in his tenure, actively supported the position and executive role of the Commission and its President. Nevertheless the role of the Commission in the European Council has been, deliberately it seems, more passive than in former years. It is clear that, over time, political initiative in European affairs has largely moved from the Commission to the European Council. But that should be an argument for the Commission to play a proactive role in the deliberations of the European Council. Jean-Claude Juncker, until recently a respected member of the European Council, will have that in mind.
- The European Council is both a meeting of national leaders and an institution of the Union. In the first capacity, members are democratically accountable to their national electorate or parliament. In the second capacity, the treaty prescribes no accountability of the institution to the European Parliament. Nevertheless, the perceived democratic deficit in the functioning of the Union might argue for establishing closer and more regular relations between the European Council President and Parliament. Donald Tusk may want to consider this.

The Commission

Most observers agree that the Commission is too numerous to work effectively as a collegial institution. But any reduction in numbers would imply a treaty change and, importantly, a change of perception in most capitals. In the meanwhile, a number of practical modifications can be applied.

- When a group is too numerous, some element of centralisation of the decision-making process is needed. Many think tanks, including CEPS, have suggested organising 'clusters' in which several Commissioners deal with one main sector of activity, under the leadership of a Vice-President. President Juncker has introduced such a structure. Nobody believes that this system will be easy to implement, but a real effort should be made to ensure that it works.
- The tradition that each Commissioner must have a DG (and a director general!) answering to him or her, has swollen the administrative structure of the Commission, making it unmanageable. It is encouraging to note that Vice-Presidents will not have their own DG.

But further streamlining the administrative structure of the Commission, as the Council Secretariat has done, would increase efficiency and transparency.

- To be effective, a body the size of the Commission must be able to vote. Constant pursuit of consensus becomes paralysing. The treaty says that it may decide by simple majority. In fact, it has not voted in ten years, presumably because a simple majority seems problematic in view of the imbalance in membership. The Commission might decide, informally, that a proposal supported by a strong (two-thirds? three-quarters? four-fifths?) majority becomes binding on the College.
- Proposals emerging from Commission services should always be submitted to a specific subsidiarity/proportionality control (including the *de minimis* principle), and to a detailed impact assessment, to be made by an independent service answering to the President or Vice-President heading a cluster.
- It can be argued that the activity, visibility and influence of the Union, as such, on the international scene are more modest today than in the past. This is due more to lack of political will than institutional defects. Nevertheless, cooperation and mutual trust between the external service and Commission services could well be enhanced under the leadership of the Vice President-High Representative.
- The Commission should be more present in national capitals. Important decisions should not simply be announced by a Commission spokesperson in Brussels. They should be explained, argued and defended in national capitals by members of the Commission, in political circles and before the media. Decisions would then seem less distant and less intrusive for public opinion.

The Parliament

Over time, Parliament has considerably increased its power and influence in European affairs: the process leading to the appointment of the President of the European Commission is a recent example. Parliament might reflect further on the exercise of its power and influence.

- Legislation and control of the executive is the core business. Parliament should refrain from adopting declaratory resolutions on matters, however important, that go beyond a strict interpretation of Union competences. Such actions contribute to the widespread impression that European institutions constantly desire to extend their field of action.
- Crucial decisions require democratic legitimacy and accountability both at the European and national level. The level of cooperation between the European Parliament and national parliaments should be increased. Up to now, practical efforts to that effect have not been convincing. Devising a new approach and imaginative solutions should be a priority.
- Differentiation is now a fact of life in European affairs: the eurozone is the most obvious example, with eurozone summits and finance ministers meeting in the Eurogroup. The Commission, through its collegiality, is finding its way in this new environment. Parliament should, for its part, reflect on whether and how it should adapt to this fact of life. The problem will not go away by ignoring it.

The Council

The Council has been overshadowed by the increased impact and visibility of the European Council. To regain visibility, it might increase transparency in its ways of working. It might consider further reducing the number of Council formations, which can be a source of confusion. It might also reflect on the rotating presidency: is it still the optimal solution when the number of participants increases? Is it significant that the Eurogroup, which was free to choose because it is informal, opted for a permanent president?

Conclusion

At the beginning of a new legislature, the Union and its member states face institutional challenges to overcome the rising tide of euroscepticism, to accommodate increasing differentiation and to fix the British problem. Substantial treaty change is not a short-term option. But much can be done through practical modifications in the daily working of the institutions, and even more so by changing the spirit in which they operate. The underlying problem is lack of trust and confidence: trust between member states, between ins and outs, trust between national and Union institutions, trust between European institutions themselves, confidence of public opinion in the European process, confidence in political leadership and perhaps above all: self-confidence. As the polymath George Steiner once noted, "Europe is the continent of doubt". Institutional priorities must be crafted with that situation in mind. With time, they may lead to a situation where substantial treaty change becomes possible.

Part II. Portfolios

6. Climate Change: Balancing economic and environmental concerns

*Andrei Marcu**

In surveying the portfolio for climate change assigned to Commissioner-designate Arias Cañete, this contribution finds that the approach proposed in the European Commission's January 2014 package offers a sound basis on which to proceed overall, but it specifies that it needs to be put in a context where the causes and symptoms are correctly identified. The author singles out timing and governance as other important elements and discusses their practical implications.

On 10 September 2014, Jean-Claude Juncker presented his team of Commissioners. In his mission letter to Commissioner-designate Arias Cañete, the Commission President made clear that climate change remains a critical priority for EU policy and referred directly to a number of elements on which he wishes the Commissioner to focus during his term.

These focus areas include the 2030 framework for climate and energy policies, and his desire to proceed with legislative proposals at an early stage, providing leadership in the international debate and negotiations, with the 2015 agreement as an important milestone. Finally, Juncker called for the strengthening of the EU Emissions Trading System (ETS) as an instrument to achieve climate-change targets in a cost-effective way.

These instructions come in the aftermath of very serious economic and financial challenges for the EU, where the perception is that while climate change remains an important element, the focus has shifted from climate change policy per se, to integrating climate and energy policy and to promoting EU jobs and competitiveness.

The new mandate also comes at a time of important challenges, with the EU ETS being perceived as falling short in delivering reductions due to the low price of CO_2 and of continuing changes in the design of the system, which for various reasons are not fixing the problem. The tough battle fought to introduce backloading, a piece of legislation that was intended to provide temporary relief, is just one example of the scepticism with which the EU ETS is regarded, and the reception that measures to 'fix it' have received, and may receive in the future.

The EU ETS and its future lay at the heart of the 2030 package that the European Commission put forward in January 2014. It is an ambitious and complex vision with many components. The timing and relationship between them are critical. The debate over the number and nature of targets, provisions to address carbon leakage and competitiveness will be closely intertwined with the development of the energy union and energy market.

The EU has prided itself on the leadership that it has shown in international negotiations, including at the Copenhagen UN Climate Change Conference, which failed to deliver a new international climate change agreement. Yet, while applauding the effort at leadership, some stakeholders in the EU seem to question the rationale and its delivery.

* Andrei Marcu is Senior Advisor and Head of the CEPS Carbon Market Forum. This contribution was originally published as a CEPS Commentary on 3 October 2014 (http://www.ceps.eu/book/climate-change-balancing-economic-and-environmental-concerns).

What went wrong?

The package that was passed in 2008-09 continued the vision of the EU ETS as the central pillar of EU climate change policy. Together with the three targets on GHG reductions, renewable energy and energy efficiency, it formed the core of the EU's approach to addressing climate change through a well-balanced package.

The change to a low-carbon economy was intended to be driven by carbon prices through the EU ETS. However, prices in the EU ETS dropped significantly after the economic crisis – to a low of €4-6 per tonne of CO_2 emitted from a €17-20 in the preceding period – resulting in a loss of confidence: Can the EU ETS deliver the price signal to reach the 80-90% reduction in GHGs by 2050, which is the EU's objective?

The low prices resulted from a number of causes: low CO_2 emissions compared to the level predicted when the 2020 package was approved; the significant number of international credits that entered the system; the mitigation actions of covered installations; and finally the overlap with RE (renewal energy) and EE (energy efficiency policies in the EU. In 2008, a report to the European Commission[1] projected total GHG emissions in 2010 to be 5,226 $MtCO_2e$. Actual 2010 GHG emissions, according to Eurostat, were 4,751 $MtCO_2e$. In the case of the EU ETS, actual emissions in 2010 were 1,939 $MtCO_2$, which compared to a calculated projection of 2,132 $MtCO_2$.

The low price also revealed root problems that were present, but not visible. The EU ETS, which is a set of rules that are designed to allow a regulatory market (the EU ETS) to behave as a market for a real and tangible commodity, allowed for the natural elasticity of demand to function. Demand for EUAs (EU emission allowances) is dependent on emissions in the EU, which in turn are heavily dependent on economic performance.

In order to respond to demands for predictability from industry stakeholders, and demands for environmental integrity from the green stakeholders, the design of the EU ETS did not include any provision to allow for elasticity of supply. Supply comes to the EU ETS market in two ways: through free allocation, for those sectors that are deemed to be at risk of carbon leakage; and through auctioning. Broadly speaking, carbon leakage can be defined as the displacement of economic activities and/or changes in investment patterns, that directly or indirectly cause GHG emissions to be displaced from a jurisdiction with GHG constraints, to another jurisdiction, with no or less GHG constraints.

Neither supply channel incorporates elasticity of supply. Free allocation is based on historical levels of production from a period divorced from the harsh realities of the economic crisis, while the auctioned amounts were fixed to 2020 through the auctioning schedule of EUAs. The auctioned schedule, i.e. the amounts auctioned during the trading period at precise dates, is fixed at the start of the trading period and also insulated from the realities of demand.

The low EUA price has been identified as the 'problem'. The price cannot be a problem in a market approach; the problem is the lack of flexibility on the supply side, and the absence of any governance provisions to address such issues in a timely manner.

The second critical issue is competitiveness, and the impact of carbon prices on competitiveness. Carbon cost, i.e. what industry pays in reaction to the carbon price, is dependent on whether a sector is deemed to be at risk of carbon leakage, and included on the

[1] "Model-based Analysis of the 2008 EU Policy Package on Climate Change and Renewables", P. Capros, L Mantzos, V. Papandreou, N. Tasios, Report for the European Commission, June 2008 (ec.europa.eu/clima/policies/package/docs/analysis_en.pdf).

carbon leakage list, in which case it gets a significant part of its emissions in the form of free allocation.

While there is clarity on how carbon leakage risk is addressed to 2020 (through the Carbon Leakage List), there is no provision for post-2020 measures. Industries that are exposed to global competition and covered by the EU ETS are anxious that measures on how carbon-leakage risk is to be mitigated after 2020 are expeditiously made clear.

The timing (in parallel or sequentially) of how the price of carbon (currently seen as too low) and competitiveness (in the form of carbon cost) are to be addressed have emerged as the most critical items.

Finally, the EU, like all Parties to the UN Framework Convention on Climate Change (UNFCCC), is preparing for the new global climate change agreement that is to be finalised in Paris in December 2015. As at the failed attempt to reach an agreement at the Copenhagen Climate Change Conference in 2009, many in the EU feel that the EU should lead, and put on the table an ambitious target, expressed through the elements in the framework for the EU's 2030 Climate and Energy policies.

However, an increasing number of stakeholders are questioning this approach and the argument that the EU, with about 10% of global emissions, needs to lead. 'Is this approach good for the EU and why', are the questions being asked. The issue of competitiveness is very much linked to this argument – how long can the EU take the lead, without inflicting continuous damage to its industrial base?

What needs to be done?

The approach proposed in the European Commission's January 2014 package is sound overall, but it needs to be put in a context where the causes and symptoms are correctly identified. Other important elements are timing and governance. What does this mean in practical terms?

- Timing, speed and process are important in order to restore confidence in the EU ETS. Identifying design flaws, such as those discussed above, and fixing them through 'no regrets' measures at the earliest possible time, will help restore confidence.
- The long-term perspective of climate change policy must be emphasised, especially for the EU ETS, by examining the need for long-term targets and how to best match those with trading periods.
- There is a need to identify and address competitive concerns resulting from asymmetrical climate change policies being implemented by the EU in comparison to other major trading partners. This would include timely and convincing reassurance on carbon-leakage provisions post-2020. It must be recognised that free allocation cannot be a long-term solution in the de-carbonisation scenario calling for 80% reduction in greenhouse gases by 2050. International cooperation with main economic partners needs to be explored and efforts in other jurisdictions that have carbon-pricing mechanisms should be closely monitored. The fundamental decision needs to be made whether carbon-leakage risk measures are compensatory in nature (that is, they are intended to compensate for additional costs as a result of carbon as long as the asymmetry lasts) or transitional (provide assistance during a transition period while industry adapts to a new lower-carbon society).
- The Paris 2015 agreement will need to contain provisions on transparency of mitigation and implementation that will reassure EU competitiveness concerns, and stakeholders need to be convinced of the rationale for EU leadership. Competitiveness is an issue that is currently absent from the international discussions and cannot be avoided.

7. Cities: The Juncker Commission should not miss this key to growth, jobs and the environment

Jorge Núñez-Ferrer and Christian Egenhofer[*]

Cities, more particularly 'smart' cities, could become a catalyst for economic and social development. For this to happen, Europe will need a new type of integrated infrastructure, a new urban governance and policy structure, as well as new finance and business models. Successful smart projects will eventually develop into new business models and companies. This contribution acknowledges that the European Commission cannot mandate or regulate these new models top down, but argues that it has an important role to play in nurturing new initiatives to give Europe the possibility to develop its own Google or Apple.

In Jean-Claude Juncker's mission letters to his new team of Commissioners and Vice-Presidents-designate, one issue was missing: that of cities, or more particularly, 'smart' cities. Smart cities or 'cities of the future' is more than a hyped buzzword about new smart technologies; it stands for the concept of increasing productivity and resource efficiency by the integration of hitherto separate infrastructures through ICT and 'Big Data'. Should this concept come into its own, it will do so first and primarily in cities. Europe's urban areas generate some 85% of Europe's GDP, are responsible for 80% of the energy consumed and generate − directly or indirectly − 75% of Europe's greenhouse gases. Cities are increasingly seen as being central to any solution to Europe's economic, social, energy or environmental challenges.

It is no coincidence that cities are presented as a global priority in the newly published "Better Growth, Better Climate" report released by the Global Commission on the Economy and Climate.[1] The economic returns of boosting urban resource productivity (i.e. increasing efficiency) are estimated to be not only considerable but the *main drivers* of growth.

This stands in contrast to President Juncker's Political Guidelines, which present a rather static view of the strategy of structural change, industry and economic drivers. It puts smart cities down as a secondary issue, thereby foregoing the potential for economic growth as well as the reduction of GHG gas emissions. This view will also miss the opportunity to put the "consumer at the centre of the energy system", as the Strategic Energy Technology Plan (SET-Plan) Roadmap[2] suggests. Most analysts would agree that consumers will play a crucial role in the new energy system.

The Commission therefore risks failing to capture the rapid technological changes and emerging new businesses that inevitably blur the borders between 'sectors'. Is *Google Nest* an

---

[*] Jorge Núñez Ferrer is Associate Researcher at CEPS and former Chair of the Finance working group of the EU Smart Cities Stakeholder Platform; Christian Egenhofer is Head of Energy and Climate in CEPS and former Chair of the Roadmap group of the EU Smart Cities Stakeholder Platform. This contribution was originally published as a CEPS Commentary on 3 October 2014 (http://www.ceps.eu/book/cities-juncker-commission-should-not-miss-key-growth-jobs-and-environment).

[1] (http://newclimateeconomy.report/cities/#section-81-content-140).

[2] (http://ec.europa.eu/energy/technology/set_plan/set_plan_en.htm).

energy or an ICT company? Will the successful business model for electrical cars continue to create value for car manufacturers or other parts of the value chain?

While the Commission has never fully embraced the concept of 'smart cities', the last Barroso Commission did at least 'allow' it a place in the research programmes and the SET-Plan. The concept was also anchored as part of "smart and inclusive growth" in the Europe 2020 Strategy – the mission statement of the previous Commission. On a more operational level, smart cities, under pressure from the European Parliament, have been added to the SET-Plan. As a result, the European Commission has created a European Industrial Initiative, complete with a High-Level Group: the Stakeholder Platform, which has formulated a Strategic Implementation Plan. Smart cities are also one of the priorities of Horizon 2020 with a budget of €92m for 2014, in addition to funding of €98m for energy efficiency and €375m for mobility and transport; the last two covering many aspects of smart cities. However, this R&D-oriented approach is not sufficient for smart cities to emerge because it does not acknowledge the real importance of cities or tackle some of the biggest barriers to their development.

Why 'smart' matters

One might think that the absence of smart cities on the list of priorities is tactical or operational. Indeed, 'smart cities' means different things to different people and the concept is difficult to translate into policy guidelines. A Commission that wants to keep things simple has a point in doing away much-hyped concepts such as these. Nevertheless, there are reasons to worry.

- The first reason is Juncker's focus on energy prices, rather than costs. As research by the Commission itself and CEPS[3] shows, Europe has always had high energy prices. But Europe's comparatively high energy efficiency has meant that its energy costs have been low, or at least bearable, making Europe's industry very competitive. Europe is getting closer to the physical limits of energy efficiency, making additional investment to reach the 30% energy-efficiency target ever more costly. However, energy efficiency in the built environment and smart grids still have great potential, essentially through smart applications enabled by integrated infrastructures, i.e. the real meaning of smart cities. According to McKinsey,[4] investment in energy-efficient buildings and lighting, energy-efficient street lighting, efficient waste management, rooftop solar power, and combined heat and power have a rate of return of between 18% and 30%; the potential to reduce energy costs by 24-36% and emissions by 28-49%. There is considerable space for a flourishing industry and large cost reductions through smart energy systems. There is also ample opportunity to shift costs from operational expenses such as fuels to productive investment. Rolling out new broadband, although welcome, will not be enough; there is more to new markets than simply investing in ICT infrastructure.[5]
- The second reason for concern is Juncker's rather narrow view of what is 'strategic'. Industry and services are changing fast and we are increasingly seeing how existing businesses in the public and financial sectors are unable to handle change. New business

[3] COM(2014) 21 final, (http://ec.europa.eu/energy/doc/2030/20140122_swd_prices.pdf);

CEPS (2014), "The Composition and Drivers of Energy Prices and Costs in Energy-Intensive Industries: The Case of Ceramics, Glass and Chemicals" (http://www.ceps.eu/book/ composition-and-drivers-energy-prices-and-costs-energy-intensive-industries-case-ceramics-glass).

[4] McKinsey & Company (forthcoming) "Unlocking the Value of Green Districts", New Climate Economy, call for evidence submission.

[5] The forthcoming report by the International Electrotechnical Commission (IEC) on "Orchestrating Smart Cities" shows the importance of cities in determining the economic future of every continent.

models and structures are emerging and traditional industries are reinventing themselves, often in the context of 'smart' technologies. Much of this is taking place through the integration of formerly isolated infrastructures and the use of rapidly increasing data availability (Big Data). Many new businesses are less bound by geographical borders or physical presence. Policy needs to adapt and keep pace with change much faster than before.

The seeds for businesses such as the new Google or Apple probably already lie in Europe but require space and time and the ability of the EU to create an enabling environment for them to flourish. In addition to the development of the right skill base and regulatory framework, integrated solutions are needed, such as in energy, buildings, transport and ICT. Traditionally isolated infrastructures have to evolve into highly integrated systems on various scales: residential and commercial; district, city and community; and regional and national. Making successes of already emerging businesses in the EU, such as Smart Home, Green Wave, Energy@Home, Bluecar, Uber, among others, will depend on how well this integration works.

Is Europe missing another opportunity?

In the past, the European Commission focused its efforts on technological innovation and some promotion for energy efficiency financed by, for example, the structural funds. This is a welcome start and should be continued. Uncertainties surrounding the scaling of newer technologies are indeed one of the major barriers to smart city technology deployment.

Much of the work required on smart cities is, however, not about direct public intervention and subsidies but about removing a number of barriers, i.e. enabling the development of new business models and governance practices. Presently, many cities' opportunities cannot be realised because of a lack of administrative capacity, outdated building regulations and ill-suited financing and procurement models. The European Commission can play a pivotal role by facilitating this process at European level, through technical assistance, commonly agreed targets and regulatory reforms.

Time to think about coordination and a regulatory framework

Smart cities cannot be implemented or mandated top down but need coordination and an enabling regulatory framework. Coordination is an obvious task for the European Commission. More importantly, the European Commission – possibly at Vice-President level – should facilitate the development and acceleration of investment in integrating smart technologies from ICT, transport, energy, among others. The European Commission, notably the three Commissioners on Climate Action and Energy, Transport and Space, Digital Economy and Society have a major role to play to work together and remove numerous barriers to develop a suitable regulatory framework.

Coordination tasks:

The European Commission should first focus on the following:

- Continue to support pilot projects through grants and innovative finance to focus on the demand side and nurture business models;
- Create one or more platform(s) to develop guidelines for cities to better plan and expand inter-city cooperation on programming and governance.

The regulatory framework

The role of the European Commission will be more important with regard to the regulatory framework. We suggest the following priorities:

Energy price signal

- Create energy price signals to encourage and assist cities to invest in smart grids and energy efficiency. This must include a price signal for demand response (i.e. consumers reacting to price signals) and CO_2.

Public procurement

- Develop methodologies for lifecycle costing (including wider social benefits) in public procurement processes in the context of cost-benefit analysis;
- At the same time facilitate training programmes to increase the skills of administrations to cope with the new public procurement processes;
- Promote and expand innovative and pre-commercial procurement, i.e. promoting the procurement of innovative solutions by the public sector.

Finance

- Expand the use of financial instruments that are adapted to the integrated technology markets. A particular focus should be on de-risking investments;
- Create a new instrument of smart city (municipal) bonds guaranteed by the EU budget to finance large integrated projects (along the same lines as the project bonds initiative) to leverage the funding flows required;
- Put smart cities and integrated territorial planning at the forefront of the 2016 review process of the EU budget interventions.

Operability:

- The EU, led by the European Commission, should help develop the necessary rules (through directives or regulations) for open access to data. 'Open access' means publicly accessible, non-proprietary and transparent data in compliance with nationally applied rules and regulations. This is a task for the Commissioner for Digital Economy and Society.
- Interoperability for integrated infrastructure will require the development of standards to promote quality and interoperability. A key element is the continuation of developing standards, such as the ongoing work in smart grids (Mandate 490) to avoid any overlapping, duplication and potentially conflicting standards, and to allow interoperability between devices applied in smart grids and smart cities.

We consider that the Commissioner most appropriate to coordinate the work on smart cities would be the Vice-President for Jobs, Growth, Investment and Competitiveness, due to the horizontal nature, the business relevance and the potential growth impact in this area. This would first require a general coordination function and second, a lead to ensure that the regulatory framework is enhancing rather than hindering smart cities and their projects.

Smart cities and their projects could become a catalyst for economic and social development. For this to happen, Europe will require a new type of integrated infrastructure, a new urban governance and policy structure, as well as new finance and business models. Successful projects will eventually develop into new business models and companies. While the European Commission cannot mandate or regulate this top down, it has a role to play in nurturing new initiatives to allow Europe the possibility of developing its own Google or Apple.

8. Juncker's Mission to the New Energy Team: Avoiding the hard choices

Fabio Genoese and Christian Egenhofer[*]

In his mission letter to Arias Cañete, Jean-Claude Juncker asked the designated Commissioner for Climate Action and Energy to focus on further developing EU policy for renewables in order to "be a world leader in this sector" and on promoting the EU Emissions Trading System "to ensure that we reach our climate goals in a cost-effective way". Furthermore, he would like the designated Vice-President for Energy Union, to focus on "completing the internal energy market" and on "increasing competition". In assessing the feasibility and desirability of this remit, this contribution finds these objectives to be very ambitious but more importantly, partially conflicting, given the state of play in EU energy markets.

On 10 September 2014, Jean-Claude Juncker presented his team of Commissioners. In his mission letter to Arias Cañete, he asked the designated Commissioner for Climate Action and Energy to focus on further developing EU policy for renewables in order to "be a world leader in this sector" and on promoting the EU Emissions Trading System "to ensure that we reach our climate goals in a cost-effective way". Furthermore, he indicated that the designated Vice-President for Energy Union,[1] should focus on "completing the internal energy market" and on "increasing competition".

Given the state of play in EU energy markets, this set of objectives appears to be very ambitious and more importantly, partially conflicting. Today, many EU member states are confronted with overcapacity in the power sector as a result of an electricity demand being roughly 9% lower than originally expected.[2] Similarly, the Emissions Trading System is struggling with an oversupply of CO_2 emissions allowances, mainly as a result of the economic downturn that supplied a substantial part of the intended emissions reduction. This has led to a dramatic price drop of CO_2 allowances. It is therefore not surprising that we're observing a strong decrease of wholesale electricity prices in central-western Europe[3] but also in other regions.[4]

---

[*] Fabio Genoese is Research Fellow and Christian Egenhofer is Senior Research Fellow in the Energy and Climate Change unit at CEPS. This contribution was originally published as a CEPS Commentary on 24 September 2014 (http://www.ceps.eu/book/juncker%E2%80%99s-mission-new-energy-team-avoiding-hard-choices).

[1] Juncker originally named Alenka Bratušek, the Slovenian nominee, for this post, but she was replaced by Violeta Bulc, after Mrs. Bratušek withdrew in the course of the confirmation hearings. Mrs. Bulc has been assigned the portfolio for transport and Maroš Šefčovič has been put in charge of Energy Union.

[2] The 2008-09 economic crisis was accompanied by an unparalleled drop in electricity demand. At the end of 2012, the electricity demand in the EU-27 was still 3% lower than in 2008. Back in 2008, analysts were expecting an annual growth rate of 1.5% (Capros et al., 2008). Thus, the divergence between projected and realised values amounts to roughly 9%.

[3] In Germany, the average market price has dropped from €65.7/MWh in 2008 to €37.9/MWh in 2013 (-42%). A similar development can be observed in the French power exchange: prices dropped from €69.2 to €43.2/MWh in the same period of time (-38%).

[4] In Spain, one could observe a 31% price drop during the last five years (average price in 2013: €44.3/MWh). In Italy, prices decreased by 28% in the same period of time (average price in 2013:

This is a normal market reaction to overcapacity, low CO_2 prices and a policy-induced deployment of renewables. Unless this will be addressed, the EU is not likely to deliver on any of the three EU energy policy objectives: competitiveness, security of supply and sustainability. The priorities identified by the new Commission President and the way the discussions are going on the 2030 energy and climate framework are a cause for concern.

What is wrong?

Under the current market conditions, there will not be any market-driven investment in any technologies, let alone low-carbon ones. Market-driven investments are made when market prices are likely to remunerate an investment. This is not the case right now. Any investment decision taken today is backed up by dedicated support mechanisms – be it feed-in tariffs for renewables (and possibly in the future also for nuclear) or capacity payments for conventional power. Not being market-driven, i.e. not reflecting the actual situation of supply and demand, further adding supply to an already-saturated system will further depress wholesale power prices. The current approach is comparable to trying to accommodate a growing number of elephants in a shrinking room.

Furthermore, demand response (i.e. consumers reacting to price signals) – often mentioned as a key element of the future energy system – will not evolve under the current market conditions. The value of decreasing consumption in times of overcapacity is close to zero, simply because there will be no price spikes. And in some markets, the regulator has set price caps and does therefore not allow for price spikes, which would encourage consumers to adapt their consumption pattern.

But what is probably the most worrying development from an EU perspective is that all of these support schemes have one thing in common: they are designed as national policy instruments. Therefore, they are another nail in the coffin for the idea of having a single energy market, which – one might recall – holds out the promise of delivering cost-effective solutions by increasing cross-border competition. Already today, the internal electricity market is far from completed due to a high share of national taxes and levies in end-consumer prices. With a growing number of national subsidy mechanisms and depressed wholesale prices, the share of (national) taxes and levies in the overall price can only increase.

Faced with this situation, a need for action on a European level arises. Textbooks on economics suggest that overcapacity will reduce itself and, as a result, wholesale prices will recover. Furthermore, investments in low-carbon technologies will be made once the CO_2 price will have risen to such a level that carbon-intensive power plants have to be taken offline for economic reasons. This holds true only for competitive markets without state intervention, which is not the case for today's electricity markets. In some markets, power producers are not even allowed to decommission power plants without prior consent by the regulator. But even assuming a highly competitive and undistorted power market, investments in capital-intensive energy technologies such as renewables, carbon capture and storage or nuclear require a high and relatively stable CO_2 price. Empirical evidence shows that political uncertainty will lead to a higher risk premium on the capital employed, which significantly affects total costs of capital-intensive investments. The crucial question therefore is whether policy-makers can credibly guarantee a high and stable CO_2 price for the coming decades. It

---

€63.0/MWh). Thus, the decrease in these regions was not as strong as in central-western Europe, but still significant.

remains to be seen whether the Stability Reserve Mechanism for the Emissions Trading System can guarantee all that.

If this is not the case, it may be the right time to re-think the current approach.

What needs to be done?

A first step is to accept that not all objectives, which Mr Juncker asked his Commissioners to focus on, can be pursued in the same time frame with the same priority. There are trade-offs to be considered. Becoming a world leader in renewables will likely require continued support of their deployment with dedicated policy instruments, such as a feed-in premium or green certificates. But this reduces the significance of the internal market as a price signal for other investments, thus creating a need for corresponding instruments for the (shrinking) rest of the market. Completely phasing out state interventions would strengthen the internal market but would also make the transition to a low-carbon economy more difficult, possibly impossible.

It may be useful to focus on fewer and more concrete objectives. One key challenge of the next Commission will be to deal with subsidy schemes not in a national but in a regional way.[5] Strategies should be developed for regional convergence and ultimately joint or at least compatible support systems. This will help to re-generate a meaningful wholesale price. A second key challenge will be to solve the remuneration problem of investors without protecting overcapacity, in the event that the revised Emissions Trading System prove not to be sufficiently effective. This will be important to guarantee a more efficient allocation of capital and re-establish a meaningful wholesale price signal. One that allows innovative and market-compatible solutions, such as demand-response to evolve. A third key challenge will be to ensure that member states actually assume their responsibilities when it comes to increasing interconnection infrastructure. This will reverse the questionable development in some markets where new supply is being added, although neighbouring markets are faced with overcapacity. Furthermore, this will smoothen out the variability of renewables, reduce the need for back-up capacity and therefore improve the cost-effectiveness of renewables. This should become the first and foremost priority of the European Commission.

References

Capros, P., L. Mantzos, V. Papandreou and N. Tasios (2008), "EU-27 Energy Baseline Scenario to 2030. Update 2007", Report for the Directorate-General for Energy and Transport of the European Commission, Brussels.

de Jong, J. and C. Egenhofer (2014), "Exploring a Regional Approach to EU Energy Policies", CEPS Special Report, CEPS, Brussels, 15 April.

[5] See de Jong and Egenhofer (2014).

9. A Financial Markets Policy for the next 5 years

Karel Lannoo[*]

This contribution is prefaced with a warning that the hangover from the past five years is huge and that public opinion on the role of the financial sector will continue to be critical for some time to come. Implementation and enforcement will need to be followed-up carefully, as any flaws could rapidly attract negative headlines. The author finds that three themes stand out: moving back to normal in financial markets regulation, adequate implementation and enforcement, and access to finance. The latter, in particular, should be the overarching theme, in all its dimensions -- access to credit for SMEs, access to capital markets for new ventures and access to finance for households.

In surveying the priorities for the new European Commission in the area of financial markets policy, three themes stand out: moving back to normal in financial markets regulation, adequate implementation and enforcement, and access to finance. The times of crisis and stress are over, permitting rule-making to return to its normal pace and procedures and allowing for longer lead times, impact assessment and consultation. But the hangover from the past five years is huge, and public opinion on the role of the financial sector will continue to be critical for some time to come, which will impact the debate. This also implies that implementation and enforcement will need to be followed-up carefully, as any flaws could rapidly attract headlines. Access to finance should be the overarching theme, in all its dimensions. Access to credit for SMEs, access to capital markets for new ventures and access to finance for households. Tackling these matters, however, will not be straightforward.

What's the 'new normal' in financial markets?

Most, if not all major pieces of legislation were adopted under the previous legislature. What remains to be handled came up late in the term and could not be finalised in time, such as the regulation of benchmarks and money market funds, and the structure of banking. Looking back, this means that an enormous regulatory workload was channelled through the European institutions over the past five years. But it also triggers a raft of questions for the next five years: How are financial markets adapting? What is the new normal in finance? And how should the institutions react to imperfections in the new regulatory framework?

The new normal should be a more sustainable banking, much less profitable on the one hand, but with higher levels of capital and buffers and resolvable, with clearly separable entities and burden-sharing by senior debt holders. But EU markets have fragmented considerably during the crisis, and cross-border services provision declined, resulting in less competition, especially in the smaller markets. The challenge is to start market integration moving again. Failure to do so risks a re-nationalisation of markets and missing out on the objective to break the vicious circle between banks and sovereigns?

A large part of OTC derivatives markets have moved rapidly to central clearing. Over 60% of the interest rate swaps, the largest part of the OTC derivatives, are now centrally cleared in

---

[*] Karel Lannoo is the Chief Executive Officer and Senior Research Fellow of CEPS. This contribution was originally published as a CEPS Commentary on 1 October 2014 (http://www.ceps.eu/book/financial-markets-policy-next-5-years).

central counterparties, but the total nominal value of derivatives contracts remains very high. It is now waiting for the implementation of EU legislation on central trading of bonds and derivative instruments, which should be in place by 2016 with MiFID II. This should bring about a much more competitive and transparent market for these instruments, in the same way as we have observed in equity markets over the last two decades.

Banking union and more

Making it all work will be the priority for the coming years: implementation and enforcement is the keyword, not only for banks, but also for supervisors. With banking union, the EU should be in a position to radically improve its expertise in supervision, with strong multinational supervisory teams concentrated at the European Central Bank, applying the same reporting standards throughout the eurozone and beyond. But the reputational risk is high.

Important competences were left to the member states in e.g. setting bank-specific and macro-prudential buffers. The following years should indicate to what extent member states will exploit their competences. The European Commission and the ECB will need to be vigilant to act against excessive power grabbing.

With the creation of the Single Resolution Board in the Single Resolution Mechanism (SRM), the EU managed, against all expectations, to be awarded a new central competence, the coordination of the resolution plans and crisis management of large cross-border banks. This is a very challenging task and requires ready access to all information about these banks, and the capability and authority, if needed, to resolve a bank over the course of a single weekend. But it will also require close cooperation between the European Commission, the manager of the Single Resolution Board, the ECB and the member states.

As a result of the crisis, macro-prudential supervisors, data consolidators and trade repositories were established. Hence supervisors should have much more data available to them than before, but questions remain: Will these data be sufficiently comparable? Will they be consolidated? Will they be monitored? And will big hiccups be observed and acted upon?

Access to finance

The main issue on the policy agenda of the post-crisis period is access to finance, in all its dimensions. Deleveraging, risk averseness and tighter regulation have created financing problems for SMEs and start-ups. Banks are under tighter monitoring, and the capital market hardly exists as an alternative source of funding for start-ups. This has led the new Commission President Juncker to call for a Capital Markets Union.

But what is a Capital Markets Union? It implies that the markets in which capital is provided by investors to entrepreneurs are not sufficiently unified in Europe. Or that the different actors needed to make capital markets function efficiently are not, or are very unevenly, present in Europe. Considering that harmonised regulation is now in place covering these different actors – banks, issuers, rating agents, auditors, investment funds, institutional investors, – the main issue seems not one for European policy-makers to regulate, but rather for the markets, or national and European authorities to enforce rules and ensure market access. We thus need a very subtle policy to stimulate capital markets in Europe.

Home ownership remains one of the key issues on political agendas of numerous EU member states. Yet, partly due to the continuous tightening of lending standards of housing loans, resulting from poor housing prospects, increasing balance sheet constraints and rising costs of funds, owner-occupied rates (OORs) contracted in many countries, especially among the poorest households, for which dramatic decreases have been recorded in (OORs) since 2007. Within this context, have the EU rules been sufficiently harmonised to promote adequate access to housing finance? What will be the impact of the newly adopted Mortgage Credit Directive on this issue? Should reduced risk weightings for mortgage loans under CRD IV be monitored? Will action be required to harmonise credit information in the EU?

The overall tightening of lending standards of consumer loans, driven notably by the creditworthiness checks of consumers and the risk of the collateral demanded, has contributed to a significant decrease in the volume of new consumer loans. Consumer credit has traditionally been one of the main drivers of the growth of private consumption (whose cumulative contribution to real GDP in the euro area was +5.5% over the period 2001-07 and -0.7% between 2007 and 2013) and, as such, could play a significant role in the economic recovery of the EU.

As a result, the overall regulation of households' credit markets raises the key question: How should these policies be designed from a macroeconomic perspective?

Global regulatory coordination?

A hallmark of the crisis response was the global regulatory coordination in the G-20 context. Some recent geopolitical tensions, as well as discussions about extraterritoriality of regulatory actions, have put strains on this process. It is of the greatest importance that this process can be continued in order to properly implement what has been agreed, such as Basel III, central clearing of OTC derivatives and global coordination of resolution plans. Two priorities stand out from a European perspective, given that it is home to 14 of the 29 globally active banks: standardising the validation and increasing the low levels of risk-weighted assets of the large European banks, and monitoring the global implementation of their resolution frameworks.

10. Time for some shock (absorption): Reinsurance of national unemployment insurance should be a Commission priority

Miroslav Beblavý and Ilaria Maselli[*]

This contribution asserts that the time has come to devise an EU-level shock absorption mechanism. In the authors' view, the instrument that best aligns varying political and economic objectives is a form of reinsurance of national systems of unemployment insurance. The primary motivation for the reinsurance proposal is that it can have a substantial stabilising effect, especially in case of large shocks, and, at the same time, be politically realistic in terms of contributions, costs and administrative burdens.

There is now widespread agreement that participation in a currency union suppresses or, at the very least, constrains standard national economic stabilisation channels. At European level there is currently very little automatic fiscal stabilisation, leading to insufficient capacity to deal with severe shocks.

Discussion of how to address that deficiency has now moved from analysis to prescription. Already two years ago, the Commission's "Blueprint for a Deep and Genuine Economic and Monetary Union" proposed that there should be an EMU-wide fiscal capacity, acting notably as a supranational automatic stabiliser, in particular in case of asymmetric shocks. Similar sentiment was expressed in the same year in the so-called 'Four presidents' report' "Towards a genuine Economic and Monetary Union". The commitment was reaffirmed in 2013 in the Communication on the Social Dimension of EMU.

In all of these official pronouncements, no time horizon or only a very long time horizon is envisaged. As a result, while various options have been debated on an exploratory basis, no specific official proposals for the implementation of a fiscal capacity have been made. Different policy options are currently being studied and discussed (see Beblavý, Gros and Maselli, 2014). One proposal consists of a harmonised scheme for eurozone countries based on an insurance fund financed through a payroll tax (collected by national agencies) and spent on a minimum standard of unemployment benefits that applies in the same fashion to all eligible workers.

We also believe that the time to make such a proposal for an EU-level shock absorption mechanism has come. In our view, however, the instrument that best aligns varying political and economic objectives is a form of reinsurance of national systems of unemployment insurance. It could be a sort of 'tornado shelter' fund, which will be used only in case of severe recessions, in light of the fact that 'business as usual' downturns are already covered by existing policies. The primary motivation for the reinsurance proposal is that it can have a substantial stabilising effect, especially in case of large shocks, and, at the same time, be politically realistic in terms of contributions, costs and administrative burdens.

---

[*] Miroslav Beblavý is Senior Research Fellow at CEPS. Ilaria Maselli is a Researcher in the Economics and Social Welfare Policies unit at CEPS. This contribution was originally published as a CEPS Commentary on 1 October 2014 (http://www.ceps.eu/book/time-some-shock-absorption-reinsurance-national-unemployment-insurance-should-be-commission-pri).

Recent studies by the IMF (2013a and 2013b) find that about 20% of shocks to state income in the US are offset by the federal fiscal system. Had the EMU being equipped with such a system, however, it would have been of limited value during the crisis. Offering a country whose output falls by 1% (relative to the eurozone average) a transfer of 0.2% of GDP would be of very limited utility. A country hit by a very large shock, say 5% of GDP (like Portugal or Ireland) would of course receive a larger transfer, but the problems would not be substantially different (a fall of income by 4% instead of 5%). By contrast, in a system of insurance with a deductible of say 1% of GDP, the country hit by a small shock would receive nothing. But most of the large shock – everything above the 1% deductible – could then be offset.

What the eurozone really needs is not a system that offsets all shocks by some small fraction, but a system that protects against shocks that are rare, but potentially catastrophic. The many minor cyclical shocks that do not impair the functioning of financial markets can then be dealt with via borrowing at the national level, and all countries are (more or less) well equipped with labour market cushions.

The European Stability Mechanism – the eurozone's rescue mechanism – does not provide the needed insurance function because it only provides loans, which have to be repaid with interest, rather than a transfer when a shock materialises.

One way to create an insurance mechanism with a deductible would be to create a system of reinsurance for national unemployment insurance systems, under which the national systems would pay regular premiums to a central eurozone fund. This fund would then support the national system in countries where the unemployment rate has increased suddenly above a certain threshold. This is the type of absorption capacity that the Presidents of the EU should be considering – not merely copying the way the US federal fiscal system appears to offset a small proportion of all shocks.

From a political point of view, a shock absorption mechanism would be an important demonstration of European solidarity but one that did not entail permanent transfers. This could mark an important shift of the political discourse from redistribution to how to make Europe work better for all its citizens. Moreover, the reinsurance of national unemployment insurance systems could serve as pilot project for other policies that might need a form of supranational reinsurance in the future.

References

Beblavý, M., D. Gros and I. Maselli (forthcoming 2014), "Reinsurance of National Unemployment Benefit Schemes", CEPS Working Document, CEPS, Brussels.

IMF (2013a), ''Toward a Fiscal Union for the Euro Area", report prepared by C. Allard, P.K. Brooks, J.C. Bluedorn, F. Bornhorst, K. Christopherson, F. Ohnsorge, T. Poghosyan and an IMF Staff Team, Washington, D.C.

IMF (2013b), ''Toward a Fiscal Union for the Euro Area: Technical Background Notes", Washington, D.C., September.

11. What can the Better Regulation Commissioner do for the EU?

Lorna Schrefler, Andrea Renda and Jacques Pelkmans[*]

This contribution welcomes the creation and prominence given by President Juncker to the new post of First Vice-President in charge of Better Regulation, Inter-Institutional Relations, the Rule of Law and the Charter of Fundamental Rights as among the most interesting of several novelties contained in the proposed Commission and overdue. After all, as the authors point out, better regulation has been underpinning the Commission's core business, namely, EU regulation, for over a decade. At the same time, however, they warn that Commissioner-designate Frans Timmermans is receiving an extremely challenging mandate which pose many difficulties to overcome.

The creation and prominence given to the new post of First Vice-President in charge of Better Regulation, Inter-Institutional Relations, the Rule of Law and the Charter of Fundamental Rights are among the most interesting of several novelties contained in the proposed Juncker Commission. It is also welcome and overdue. After all, better regulation has been underpinning the Commission's core business, namely, EU regulation, for over a decade. Better regulation, together with free movement, generate the economic value-added that we all expect from the Union. The centrality of this function is fully justified if the EU is serious about contributing to economic and societal welfare via its critical means: the internal market and the related common policies (which again consist mainly of…EU regulation).

Commissioner-designate Frans Timmermans inherits a complex dossier. It will not be easy to succeed in making the most of this extremely challenging mandate.[1] Let us see why.

- The peculiarity of the EU's approach to better regulation, when compared to other systems of regulatory appraisal across the world, is its simultaneous focus on the economic, environmental and social impacts of proposed EU legislation. To put it differently, EU better regulation has in its DNA a holistic and comprehensive approach to policy-making. In the last few years, however, EU better regulation has increasingly been equated with simplification, cutting red tape and streamlining the EU *acquis*. This is necessary but insufficient. Does the newly created function indicate that the EU is back to "better" rather than "less" regulation?[2] It is better EU regulation that is really conducive to societal welfare, growth and jobs.

---

[*] Lorna Schrefler is Research Fellow and Head of the Regulatory Policy Unit at CEPS; Andrea Renda and Jacques Pelkman are both Senior Research Fellows at CEPS. This contribution was originally published as a CEPS Commentary on 29 September 2014 (http://www.ceps.eu/book/what-can-better-regulation-commissioner-do-eu).

[1] See President Juncker's Mission Letter addressed to Mr Timmermans (http://ec.europa.eu/about/juncker-commission/docs/timmermans_en.pdf).

[2] This question cannot be answered by Timmermans' official mandate: on the one hand, Juncker's Mission Letter emphasises simplification and efficiency; on the other hand, his portfolio appears incredibly broad with concrete duties on fundamental rights and a guidance role for Justice and Home Affairs Commissioners.

- Mr. Timmermans inherits this dossier when many initiatives are pending or are in their early days. The Commission impact assessment guidelines are still under revision; evaluation guidelines are not yet ready, and a plethora of instruments ranging from dedicated guidance on e.g. social impact assessment to 'cumulated cost assessments' have been put forward by various Directorates-General (DGs). Moreover, the exact role and functioning of REFIT (the Commission's Regulatory Fitness and Performance programme) and fitness checks remain far from clear. This affects the overall coherence and effectiveness of the better regulation strategy and calls for firm and consistent action.
- The current achievements of EU better regulation, in particular the broad uptake of impact assessment across Commission services, cannot hide the persistence of quality issues (e.g. when impact assessment tries to support a pre-cooked decision) and governance questions (e.g. the role of the Impact Assessment Board) within the Commission itself.
- Until very recently,[3] and despite an Inter-Institutional Agreement on Better Lawmaking in 2003 as well as the Common Approach to Impact Assessment of 2005, impact assessment has remained essentially a Commission business. Initial appraisals of policy proposals are not updated after major amendments by Parliament and Council.
- Finally, the overall coordination role of the First Vice-President highlights once more the question of coherence (explicitly referred to in REFIT) between the objectives of individual EU rules and policies and the medium- and long-term goals of the European Union, reflected in EU 2020.

Therefore, it is a wise decision to make the First Vice-President a sort of *primus inter pares*. This *should* provide a strong basis to clarify and finally resolve some open questions. We focus on the most pressing ones below.

- On transparency, over the past decade the Commission has made important progress, especially with the launch of the yearly Roadmaps that complement and strengthen the Commission's annual agenda. But when it comes to impact assessments, the Commission remains a black box, refusing to share with stakeholders the data, information and rationale used to reach policy conclusions when the impact assessment is in its draft stage (in contrast, e.g., to the practice in the US). Mr Timmermans could try to increase the transparency and quality of impact assessments in two ways: by creating an external, independent body in charge of quality oversight (modelled on the German Normenkontrollrat or the UK Better Regulation Commission), or by publishing draft impact assessments for stakeholder consultation, at least for the major proposed directives and regulations, in order to get feedback on the quality of the data, the underlying methodology chosen, the definition of the problem and the choice of the alternative policy options that could potentially address it. Despite repeated calls for the creation of an external body (from industry, but also from powerful member states), the least problematic and most effective solution would probably be the latter.
- The emphasis put in Timmerman's mandate on the supervision of 'delegated' and 'implementing' acts is welcome. The EU's approach on this point is still rather murky. How will the Commission select, among the thousands of such technical acts produced each year, which should be subject to impact assessment?
- Guidance is also needed on how to deal with self- and co-regulation, a set of often-evoked policy alternatives that so far have remained almost unaddressed in the impact assessment

[3] The European Parliament created a dedicated Directorate for Impact Assessment and European Added Value in 2012.

guidelines. What are the conditions that make a self- or a co-regulatory arrangement a viable option in the eyes of the Commission?

- Traditionally impact assessment and risk assessment have gone hand-in-hand in better regulation systems. This is not the case in the EU, where instructions on how to assess risk are rather terse in the present IA guidelines. Yet, the regulation of risk is a significant portion of the EU *acquis*. EU risk assessment needs to be better codified, with clear guidance for Commission officials on how to use it and how not to use it.

- One of the novelties under the Barroso II Commission was the creation of the function of Chief Scientific Advisor (CSA) to assist i.a. decision-making on key questions of science and technology, including the good use of science for EU regulation. The EU can certainly benefit from a more systematic and informed use of science in decision-making. This recommendation may sound innocuous, but sensitivities may cause science to be improperly used or ignored.

- Another interesting point of Timmerman's mandate is the combination of better regulation with inter-institutional relations. This should be interpreted both horizontally (i.e. relations with Parliament and Council) and vertically, by strengthening better regulation in the member states. Better EU regulation is a shared responsibility and far too little is happening at the member state level. This is of utmost importance for the future of EU better regulation, since the Commission is often trapped into the impossibility to measure or anticipate the implementation costs of its proposed reforms, due to unpredictable patterns of implementation and transposition at national level.

- In the renegotiation of the Inter-Institutional Agreement, pragmatic solutions to ensure that impact assessments are updated during the ordinary legislative procedure should be clearly spelled out.

- Finally, much speculation surrounds the 'veto power' or '"filtering duty of the First Vice-President. This should not only be read as an invitation to pay serious attention to the subsidiarity and proportionality of proposed EU regulation. For Mr Better Regulation to really bite, the possibility of issuing 'prompt letters' requiring the EU to act on a specific issue should be foreseen. Whether this will transform Mr Timmermans into a super-Commissioner, or place him between a rock and a hard place, marginalised by the rest of the Commissioners, is hard to tell. To be sure, at this stage the designated person has the additional burden of having to build his own job profile. This is going to be far from easy, but it is essential for a better, more effective EU. We wish you wisdom and firmness, Mr Timmermans!

12. Priorities for the Next Legislature: EU external action

Steven Blockmans*

At a time when the European Union's strategic and geopolitical environment is more troubled and unpredictable than it has been for decades, the European Council is calling for stronger EU engagement in international affairs. The rest of the rapidly changing world is not going to wait for the EU to get its act together to defend its own values and interests. This contribution sets out four priorities for High Representative/Vice-President-designate Federica Mogherini as she takes up her role as leader of the European External Action Service and the next 'RELEX' Group of Commissioners.

The European Union's strategic and geopolitical environment is more troubled and unpredictable now than it has been for decades. Russia's invasion of eastern Ukraine, the unlikely cooperation between the US and Iran to counter the advance of the so-called Islamic State in the Middle East, and air strikes by Egypt and the United Arab Emirates in Libya are just a partial illustration of this turmoil. The EU finds itself surrounded by an arc of crisis rather than Romano Prodi's "ring of friends". In its "Strategic Agenda for the Union in times of change" the European Council has acknowledged that never before has a stronger EU engagement in international affairs been more called for.[1] The rest of the rapidly changing world is not going to wait for the EU to get its act together to defend its own values and interests.

High Representative (HR)-designate Federica Mogherini is expected to fully exploit her role as Vice-President of the Commission (VP) and lead the next Commissioners' Group on External Action.[2] HR-designate Mogherini should therefore prioritise the following actions and implement them simultaneously:

Priority No. 1: Facilitate Council decision-making

The EU does not have a strong Common Foreign and Security Policy (CFSP) because the member states have not allowed one to emerge. In the case of Ukraine and Russia it has been possible to agree on a common line. Typically, however, the cost of keeping all member states on board has been a policy that often appeared timid and based on the smallest common denominator. Neither the new High Representative, supported by the European External Action Service (EEAS), nor the new Commission, can change the forces underlying the formation of EU foreign policy. Until the Treaty requirement of unanimity is changed to qualified majority voting (QMV) to break the current (lack of) dynamism in CFSP, it is up to member states, especially the larger ones, to decide whether they are ready to give up some of their prerogatives, at least in some narrowly circumscribed areas. Nevertheless, within the current Treaty framework, the HR should push for small concrete steps in strategic areas by:

---

* Steven Blockmans is Senior Research Fellow at CEPS and Head of the EU Foreign Policy research programme. This contribution was originally published as a CEPS Commentary on 29 September 2014 (http://www.ceps.eu/book/priorities-next-legislature-eu-external-action).

[1] Annex to the European Council conclusions of 26/27 June 2014: (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/143477.pdf).

[2] For observations on the composition and functioning of the Group, see Annex.

- making better use of the policy space between the institutions and the member states to initiate collective action, both in strategic terms (e.g. to update and upgrade the 2003 European Security Strategy) and operational terms;
- proposing that the Council decide by QMV to define joint action on the basis of a European Council decision or on her own proposal following a request from the European Council regarding the EU's strategic interests and objectives;
- reminding individual member states of their duty of loyal cooperation under the CFSP and stimulating the wider use of the constructive abstention mechanism by one or a small number of member states when national interests are considered to be important, but not 'vital' enough to merit derailing consensus in the Council on the adoption of a CFSP decision;
- forging coalitions of member states by using the enhanced cooperation formula enshrined in the Lisbon Treaty to further the EU's objectives in the realm of external action;
- ensuring that the EU's ample toolbox is better used by institutions and member states alike; and
- ensuring more unity and visibility in the external representation of the EU at her level.[3]

Priority No. 2: Solidify the EEAS

The next five years will make or break the EEAS. Born onto a stage of jealous protagonists, the EEAS underwent a baptism by fire with the eruption of the inaptly named 'Arab Spring' in 2011. The Service has no more time to lose in overcoming its childhood diseases. Member states will avoid cooperating through the EEAS if the latter does not prove itself mature enough to face the tests of the next legislature. To that end, the new HR/VP should:

- finalise the implementation of the short-term recommendations on the internal aspects of the organisation and functioning of the EEAS, as set out in her predecessor's report on the EEAS Review of June 2013;[4]
- implement Lady Ashton's mid-term recommendations, after they have been examined by the Council "in light of the 2014 institutional transition";[5] and
- in the context of her own EEAS Review, to be presented to the Council by the end of 2015, include an assessment of the current arrangements of the chairmanship of preparatory bodies of the Council and the many necessary proposals to revise the basic Council Decision 2010/427/EU on the EEAS in accordance with Article 27(3) TEU.[6]

---

[3] See S. Blockmans, "Ukraine, Russia and the need for more flexibility in EU foreign policy-making", CEPS Policy Brief No. 320, 25 July 2014.

[4] High Representative, EEAS Review (2013) (http://eeas.europa.eu/top_stories/2013/29072013_eeas_review_en.htm).

[5] Point 10 of the General Affairs Council conclusions of 17 December 2013: (http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/140144.pdf).

[6] For more than 70 detailed recommendations, see S. Blockmans and C. Hillion (eds), "EEAS 2.0: Recommendations for the amendment of Council Decision 2010/427/EU establishing the organisation and functioning of the European External Action Service", CEPS Special Report No. 78, 13 November 2013.

Priority No. 3: Revise the EU's neighbourhood policies

The world may have become flatter as a result of globalisation, but geography still matters. To paraphrase what HR/VP Ashton rightly observed on more than one occasion: How the EU operates in its neighbourhood and the effectiveness of what it does will define the European Union and its role on the international stage in the future.[7] Looking at the outer periphery, there is little reason to believe that the EU is pulling its weight here.

Unresolved bilateral disputes and zero sum political games are hampering progress on the pre-accession track of certain aspirant members in south-eastern Europe and even causing a retreat on the path of reform (e.g. Turkey, Macedonia, and Bosnia-Herzegovina). Juncker's statement that there will be no enlargement of the Union in the next five years may have been correct,[8] but it has obfuscated the Commission's own responsibilities in implementing the enlargement policy and has sent the wrong signal to pre-accession countries.

Meanwhile, the Eastern Partnership policy has led to a 'step change' in the EU's relations with only half of its post-Soviet neighbours and revealed a deep chasm in relations with Russia. The picture in the southern neighbourhood is, tragically, a blood-stained one. The result is a neighbourhood that is more fractured than ever before. The HR/VP and Commissioner-designate Johannes Hahn for European Neighbourhood Policy and Enlargement Negotiations, in cooperation with the other members of the 'RELEX' Group and Commissioner-designate Dimitris Avramopoulos for Migration and Home Affairs, need to:

- honour the commitment towards all pre-accession countries to implement the enlargement policy diligently and actively devise new ways to settle outstanding disputes and counter deadlock in negotiations or any regression on the reform track;
- create an independent vision for ENP countries; an alternative to EU membership that is attractive enough to translate objectives and instruments into action;
- abandon the eurocentric and multilateral approach to the definition of the ENP and refine (where necessary re-define) political and economic relations with neighbouring countries bilaterally, so as to create stronger partnerships in the promotion of stability, prosperity and democracy in those countries that are ready for closer relations ("drawing the full benefit from their association agreements with the EU", said Juncker), and with civil society organisations in or outside of the neighbouring countries that do not share the will to engage with the EU;
- strengthen the new bilateral approach by clustering relations with neighbouring countries in a functionalist, sectoral approach rather than in a static and purely geographical sense (Eastern Partnership and Union for the Mediterranean). Economies of scale in policy-making could be better achieved by tackling (sub-/inter-)regional challenges (e.g. illegal migration, security of supplies of natural resources like water, oil and gas) and tapping into transnational opportunities (e.g., integrated transport and agriculture policies);

[7] See, e.g., Remarks by High Representative Catherine Ashton at the AFET Committee in European Parliament in Strasbourg, 12 December 2011, Press release A 511/11, Brussels, 13 December 2011.

[8] Jean-Claude Juncker, Candidate for President of the European Commission, "A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change: Political Guidelines for the next European Commission", Strasbourg, 15 July 2014, (http://ec.europa.eu/about/juncker-commission/docs/pg_en.pdf).

- consider the interests of the neighbours of our neighbours and engage global strategic partners – bilaterally and in multilateral fora, in the definition of those bilateral relations; and
- enhance the ample toolbox of the ENP with security elements – from early warning systems and conflict prevention to non-proliferation, cyber security and crisis management – to be able to better respond to the threats to security and stability faced by neighbouring countries.[9]

Priority No. 4: Bolster the Common Security and Defence Policy

Multiple crises have deeply affected the Union's role as a security actor. Implications have been twofold. On the one hand, the financial crisis and ensuing austerity measures have considerably weakened military capabilities and resources in EU member states. As a consequence, governments are less prone to and capable of using force when crisis situations require it. On the other hand, Russia's shock to the system has changed post-Cold War perceptions about the possibility of military attack and occupation in Europe and is propelling policy evolution in many key areas, including security and defence. The crisis in Ukraine may lead to an increase in defence spending in and military cooperation among EU member states and NATO allies. The HR/VP should respond to this endogenous and exogenous-driven demand for a re-arrangement of security and defence cooperation by:

- strengthening the Common Security and Defence Policy (CSDP) and improving the EU's operational record, especially in the neighbourhood, in full complementarity with NATO;
- reducing institutional complexity and improving coordination between actors at the planning and operational levels;
- making sure that stronger (preferably unified) political leadership is provided;
- ensuring that member states maintain and develop the necessary civilian and military capabilities, including through pooling and sharing (e.g. in the form of a permanent structured cooperation); and
- rationalising and integrating the European defence industry more deeply (e.g. by enhancing cooperation in defence procurement).

APPENDIX: Commissioners' Group on External Action

According to the standard text reproduced in Juncker's mission letters to all Commissioners designate, HR/VP-designate Mogherini will be responsible for steering and coordinating the work of all Commissioners with regard to external relations. In the letters, he refers to the "pragmatic partnership" agreed with her on 8 September 2014 that should enable Mogherini to play her role as a Commission Vice-President "to the full" (an oft-observed shortcoming in the preceding legislature), and help ensure a more integrated and effective external action of the Union. To that end, the HR/VP will not only move her office and cabinet (half composed of Commission staff) to the Berlaymont but is also expected to work closely with the other VPs (in particular on Budget and Human Resources, Energy Union) and guide the work of the Commissioners for European Neighbourhood Policy and Enlargement Negotiations, Trade, International Cooperation and Development, and Humanitarian Aid and Crisis Management. Thus, Juncker is reviving a monthly practice that had been abandoned under Barroso II. As a

[9] See S. Blockmans, "The European Neighbourhood Policy Ten Years On: Suspended between ambition and reality", SIEPS Report, forthcoming.

rule, these 'line' Commissioners are expected to liaise closely with the HR/VP, also for initiatives requiring a decision from the Commission. An innovation that CEPS has called for on a number of occasions concerns the deputisation of the HR's tasks qua VP, both within the work of the College and on the international stage. To make this possible, Juncker has entrusted the Commissioner for ENP and Enlargement Negotiations, as indeed "other Commissioners" (none of other the Mission letters specifies whom this concerns in particular), with the task of deputising for Mogherini in areas of Commission competence.

Mogherini will also be able to draw on the Commission's policy instruments and expertise in many areas where the EU's international partners are keen to work with it. These include policies under the responsibilities of the Commissioners for Climate Action and Energy, Transport and Space as well as Migration and Home Affairs, which have a strong external dimension. Juncker might as well have added to the list the Commissioners responsible for economic policies, EU participation in international financial institutions, environment, maritime affairs and fisheries. The Secretariat General of the Commission will continue to be the main interface with the EEAS at working level. The Secretariat General will provide support to the HR in her work with other Commissioners and in her role as VP. The Service for Foreign Policy Instruments (FPI), a Commission service with responsibility for the Common Security and Foreign Policy budget, will also support the HR/VP in her work. Finally, the HR/VP is expected to work closely with Juncker on his external responsibilities. Given his own representation duties and the involvement of the European Council in external relations, the Cabinets of Juncker and Mogherini will work closely together throughout the mandate to ensure that they share a consistent line.

13. The New Juncker Commission: The Digital Agenda

*Colin Blackman and Andrea Renda**

In assessing the challenges facing Andrus Ansip, as Vice-President-designate for the Digital Single Market, and Günther Oettinger, as Commissioner-designate for Digital Economy and Society, this contribution finds that leadership and building real consensus among the member states will be the main keys to achieving what is, in their view, the most ambitious and important of the new Commission's objectives. And, as it notes further, their challenge is even greater, if one considers that, if successful, the Digital Agenda will have to be the last one. Five years from now, the 'digital agenda' will have become, simply, the agenda.

A major innovation in the Juncker Commission is the new hierarchical structure and the coordination between portfolios. This is particularly significant with regard to the digital agenda, where the portfolio has been split between the Vice-President for the Digital Single Market, Andrus Ansip, and the Commissioner for Digital Economy and Society, Günther Oettinger. At first sight, this new approach would appear to deliver on Juncker's pre-election promise to make the digital single market a key priority for the new Commission. It's an important but elusive goal.

Mr Ansip's brief is to "make Europe a world leader in information and communication technology, with all the tools to succeed in the global digital economy and society". Through a connected digital single market, the prize is estimated at approximately €250 billion of additional growth in Europe during the time of the new Commission, "thereby creating hundreds of thousands of new jobs, notably for young job-seekers, and a vibrant knowledge-based society".

This will mean breaking down national silos in telecoms regulation, in copyright and data protection legislation and in management of the radio spectrum. Mr Ansip's responsibilities also include ensuring that competition and taxation rules enable higher levels of public and private investment, Europeanising the application of competition rules, creating a fair level-playing field for online and digital goods and services in the EU, ensuring that the same data protection and consumer rules apply to all companies regardless of where their servers are based, and promoting creative industries in Europe.

Mr Oettinger, as part of the project team steered by Mr Ansip, is charged with assessing the obstacles and preparing ambitious legislative steps towards a connected digital single market, within the first six months. His tasks also include reform of telecoms rules, a harmonised approach to radio spectrum, modernisation of copyright rules, supporting creative industries and supporting freedom of expression,

At the same time, and as a consequence of the new structure of the Commission, both Mr Ansip and Mr Oettinger have responsibilities that go beyond the previous digital agenda. Apart from overseeing Mr Oettinger, Mr Ansip will also direct and coordinate the work of the Commissioners for Internal Market, Industry, Entrepreneurship and SMEs; Employment,

---

* Colin Blackman is Director of the CEPS Digital Forum, and Andrea Renda is Senior Research Fellow at CEPS. This contribution was originally published as a CEPS Commentary on 26 September 2014 (http://www.ceps.eu/book/new-juncker-commission-digital-agenda).

Social Affairs, Skills and Labour Mobility; Justice, Consumers and Gender Equality; Economic and Financial Affairs, Taxation and Customs; Regional Policy; and Agriculture and Rural Development. Meanwhile, Mr Oettinger has other duties including contributing to the jobs, growth and investment package, encouraging entrepreneurship, and supporting work to modernise administration in the European Commission, to name just a few.

What is wrong?

Both Mr Ansip and Mr Oettinger inherit a full in-tray. This is not meant as a criticism of Vice-President Neelie Kroes, who was well respected for her work. Rather, it reflects that policy continues to lag behind the technology advances in information and communications technologies (ICT), and the rapid market developments and social changes that result. Moreover, as ICT has assumed a more fundamental role in the economy and society, the stakes get higher, the issues become more complex, and positions of various stakeholders become even more entrenched.

For the moment, the 'Connected Continent' package of telecoms reforms, adopted by the European Parliament in March 2014, is in limbo, pending a decision by the European Council. In the interregnum, the proposals have been criticised for going too far and for not going far enough. Key areas of concern include:

- Radio spectrum management – the Commission's view that spectrum management is failing with transfer of powers to the Commission is opposed by the Body of European Regulators for Electronic Communications (BEREC), and it is inconceivable that it will win support in the Council of Ministers.
- Net neutrality – the Commission's proposals were amended by Parliament to avoid a so-called fast lane/slow lane on the internet, but traditional access providers (telcos) and national regulatory authorities have not given up.
- Roaming – while BEREC supported the abolition of retail roaming by December 2015, still there are concerns that not all the pieces are in place to ensure this comes about.

In addition, following adoption by the Parliament of the Commission's proposals for a General Data Protection Regulation (GDPR), which extends the scope of the EU data protection law to all foreign companies processing data of EU residents, again legislation awaits a decision by the European Council. Moreover, the content of the new regulation seems hardly suitable for emerging cloud computing markets: in this respect, ongoing negotiations to revive the EU-U.S. Safe Harbour are taking so long that the industry is left in an undesirable limbo of uncertainty. Copyright reform is also in the doldrums with a White Paper expected after a public consultation earlier in the year shelved for the time being.

As to the overarching goal of a digital single market, little if any progress was made during the last Commission – to all intents and purposes, it doesn't exist. For now, the long-term benefits of being a member of this club seem to be outweighed by the short-term costs. And apart from incumbent telcos, who at once advocate less regulation but fear too much consolidation, also national regulators appear worried about a pan-European regulatory framework that would rule them out of the regulatory landscape.

What needs to be done?

ICT now underpins everything and is embedded everywhere and so policy on the digital economy matters to all sectors. Placing digital matters at the top of the agenda of the new Commission is a recognition of the critical importance of ICT to the European economy and society. This, and its new structure, are a good start for the Juncker Commission. But, as already mentioned, policy is lagging technology advances and market and social developments. Moreover, these drivers of change are accelerating. This means it is imperative that policy is more forward looking – not just for the next five years but for 10 years and beyond. It seems clear that we are heading towards a hyper-connected society – an Internet of Everything – that will bring new opportunities for Europe to establish a competitive position with benefits to the economy and society. But it also brings new challenges and reinforces the need to tackle currently unresolved issues.

The digital single market is a long-term project and will not be built overnight, regardless of the urgency with which Juncker himself hands over the issue to his own Commissioners. It requires leadership and determination to impress upon the Member States the considerable benefits at stake. Proper assessment of the obstacles is key, followed by ongoing monitoring. Achieving consensus on new copyright rules won't be easy but is feasible, and a forward-looking and ambitious White Paper following the public consultation should be an early priority. Greater harmonisation in spectrum management will be more difficult and so must be a long-term plan taken a step at a time: to be sure, the earlier one starts, the sooner results will be achieved.

In the Internet of Everything and a world of Big Data, a balance must be struck between enabling new services while empowering citizens and consumers to protect themselves. The passing of the GDPR into legislation is a priority, but ensuring data protection rules achieve the right balance will be an ongoing task, which could partly be addressed if the US and EU push for more constructive talks within the TTIP on creating a more trustworthy environment for cloud computing and the Internet of Things.

As far as telecom rules are concerned, the keyword should be "balance", in particular between the incentives to deploy new infrastructure and the preservation of an open, end-to-end internet in terms of applications and content. Europe's traditional access providers argue that regulation should be relaxed for them, otherwise investment in new infrastructure will suffer. Although this argument should not lead to a deregulation of the sector where competition issues remain, a simplification of the list of relevant markets and a more careful assessment of market power and related remedies may be needed in the e-communications field, in compliance and full consistency with competition law. At the same time, new collaborative business models and partnerships between telcos and OTTs should be encouraged: consolidation of Europe's many telecom operators should be welcomed but should be left to market forces, unless the EU manages to trigger developments through means such as pan-European spectrum allocation.

Net neutrality rules as currently set out in the Connected Continent package appear viable only if investment in infrastructure is incentivised in some way (including with public money, provided it does not crowd out private investment), and only if EU institutions clarify what problem do they want to fix with these rules: for example, whether they would want to tackle also other forms of neutrality, such as search neutrality (think about the ongoing Google antitrust investigation) and cloud neutrality. In addition, these rules as they stand do not fully mirror the ongoing evolution of the internet, which makes it no longer a "neutral" setting but rather a patchwork of contents and platforms that flow already at very different speeds due to widespread traffic acceleration practices.

Encouraging digital entrepreneurship, digital start-ups and development of skills needed in the future will require public support. On the latter point, the Commission has considerable scope to asses which jobs and skills will be needed in the future and to work more closely with Member States and universities to ensure that companies located in the EU are not reliant on

Asia for skilled workers (e.g. for data analysts). The Commission has recently estimated that as many as 900,000 jobs will not be filled in the European ICT sector in the coming years due to lack of competences.

Thus, Vice-President Ansip and Commissioner Oettinger face a considerable challenge. They have broadly a sound basis to build on from the work of Vice-President Kroes. The key will be leadership and building real consensus among the Member States to achieve what is, perhaps, the most ambitious and important of the new Commission's objectives. And their challenge is even bigger if one considers that, if successful, their Digital Agenda will have to be the last one. In five years from now, the "digital agenda" will have become, simply, the agenda.

References

Andrea Renda, *Achieving the Internal Market for E-communications*, report of a CEPS Task Force, 2008.

Jacques Pelkmans and Andrea Renda, "Single eComms market? No such thing...", CEPS Policy Brief, No 231, January 2011.

14. A New Start for the EU's Area of Freedom, Security and Justice? Setting Priorities for the New Commission

Sergio Carrera and Elspeth Guild*

The nomination of a First Vice-President (Frans Timmermans) in charge of rule of law and the EU Charter of Fundamental is one of the more far-reaching innovations contained in the new institutional shape of the Juncker Commission. This contribution welcomes the fact that a new fundamental rights and rule of law First Vice-President will exercise a coordination and advisory role over the other two JHA Commissioners – Věra Jourová, responsible for Justice, Consumers and Gender Equality (DG Justice); and Dimitris Avramopoulos, responsible for Migration and Home Affairs (DG Home Affairs), but expresses a note of caution whether this new role and triangular relationship can be made to work effectively in practice.

The new institutional shapes of the Juncker Commission portend important and somewhat surprising changes in Justice and Home Affairs (JHA) portfolios. One of the more far-reaching innovations is the nomination of a First Vice-President (Frans Timmermans) in charge of rule of law and the EU Charter of Fundamental Rights. The First Vice-President will be the right hand of Junker and will act as a 'watchdog' upholding fundamental rights and the rule of law in all the Commission's activities and those of EU member states. Juncker has introduced a triangular relationship in the Commission's JHA portfolios. The First Vice-President will guide and coordinate the two other JHA Commissioners: Věra Jourová, Commissioner for Justice, Consumers and Gender Equality (DG Justice); and Dimitris Avramopoulos, Commissioner for Migration and Home Affairs (DG Home Affairs). Timmermans will manage and coordinate 'the Commission' in the JHA Council. Will the Juncker Commission herald a new start for JHA cooperation in the EU?

The new Commission configurations offer interesting potential for policy optimalisation. It is welcomed that a new fundamental rights and rule of law First Vice-President will exercise a coordination and advisory role over the other two JHA Commissioners. CEPS proposed a similar institutional design in 2009.[1] Challenges in rule of law and fundamental rights found in certain EU JHA policies and some member states were calling for stronger EU political action. His new mission as rule of law and fundamental rights supervisor constitutes a clear

---

* Sergio Carrera is Senior Research Fellow and Head of the Justice and Home Affairs unit at CEPS. Elspeth Guild is Senior Associate Fellow at CEPS and Jean Monnet Professor ad personam, Radboud University, Nijmegen and Queen Mary, University of London. This contribution was originally published as a CEPS Commentary on 23 September 2014 (http://www.ceps.eu/book/new-start-eu%E2%80%99s-area-freedom-security-and-justice-setting-priorities-new-european-commission). A more detailed version was published as a CEPS Essay No. 15, "The Juncker Commission: A New Start for EU Justice and Home Affairs Policy", 18 September 2014 (www.ceps.eu/book/juncker-commission-new-start-eu-justice-and-home-affairs-policy).

[1] Didier Bigo, Sergio Carrera, Elspeth Guild, "The CHALLENGE Project: Final Policy Recommendations on the Changing Landscape of European Liberty and Security", CHALLENGE Paper, September 2009 (www.ceps.be/book/challenge-project-final-policy-recommendations-changing-landscape-european-liberty-and-security).

signal that these will be top priorities for the new Commission. Yet, it is yet to be shown whether this new role and triangular relationship will effectively work in practice.

Stronger EU supervision over rule of law and the EU Charter is expected to meet resistance from member states. These have often alluded to national sovereignty and subsidiarity as grounds for evading supranational oversight of their compliance with EU founding principles. Also, mainstreaming fundamental rights across the Commission services may prove to be difficult beyond formalistic allusions and assessments about compliance. 'Guiding' and 'coordinating' DG Justice and DG Home Affairs from a rule of law and fundamental rights angle might encounter similar difficulties. These policies are still too much centred on fighting criminality, policing and national security considerations.

Against these frictions, a central 'motto' for the First Vice-President should be 'evidence-based policy-making' in all these domains. Any new initiative taken by the European Commission should be based on the best independent research, evaluation and statistical evidence available, and not on anecdotal information and/or political fears. The relations between the new Commission and the new European Parliament are expected to grow during the 8th legislature.[2] The First Vice-President's mission to coordinate relations with the European Parliament, in particular strategic programming, could also be critically important in overcoming some of these frictions.

A key priority should be for the First Vice-President to develop a new Commission policy and legislative program on AFSJ policies for the coming years, which should be driven by faithful and effective implementation of the Lisbon Treaty and existing EU secondary legislation, as well as better safeguarding of the rule of law in the EU and ensuring accessibility to the EU Charter. In addition to close cooperation with the European Parliament, this should go hand-to-hand with institutionalised collaboration with non-EU bodies, such as the United Nations or the Council of Europe, and bodies like the Venice Commission on the rule of law or the Commissioner for Human Rights. The EU should commit itself to promote these international standards.

The Union is in need of a new rule of law mechanism to address challenges to the rule of law.[3] This should be an integral part of the 'rule of law, democracy and fundamental rights Copenhagen Policy Cycle', guaranteeing linkages with the European Semester of Economic Governance. The Snowden revelations on PRISM and surveillance programmes in the US and the EU have also exposed profound rule of law deficits. A testing ground for the new Commission will be re-building trust over issues related to privacy and closing the negotiations of the EU data protection reform package. The First Vice-President and the Justice Commissioner should ensure a strong EU data protection legal framework, focusing on clear rules on data processing for third countries, better enforcement and accessibility to information and legal remedies by data subjects and data protection of EU citizens in the US.

The appointment of a Commissioner for Migration and Home Affairs offers interesting prospects. The First Vice-President should take care that the mixing of 'migration' with home affairs does lead to a contamination of issues related to labour mobility and asylum with

---

[2] Sergio Carrera and Elspeth Guild, "The European Council's Guidelines for the Area of Freedom, Security and Justice 2020: Subverting the 'Lisbonisation' of Justice and Home Affairs?", CEPS Essay, July 2014 (www.ceps.be/book/european-council%E2%80%99s-guidelines-area-freedom-security-and-justice-2020-subverting-%E2%80%98lisbonisation%E2%80%99).

[3] Sergio Carrera, Elspeth Guild and Nicholas Hernanz, "Rule of law or rule of thumb? A New Copenhagen Mechanism for the EU", CEPS Policy Brief, November 2013 (www.ceps.be/book/rule-law-or-rule-thumb-new-copenhagen-mechanism-eu).

policing and criminality. Priority should be given to safeguarding free movement of EU citizens and building a genuine common labour immigration policy that critically reassesses the EU's attractiveness as a destination for work, study and tourism. A partnership between the Migration Commissioner and the one for Employment, Social Affairs, Skills and Labour Mobility will be critical. Adopting an immigration corpus codifying the dispersed EU immigration rules and addressing their shortcomings will be central. The implementation of the principle of solidarity calls for careful reflection. Priority should be given to reconfiguring the Dublin asylum system and improving first-line reception conditions for asylum seekers. The future of a Frontex Plus Agency and the development of a common European border service should be carefully examined.

ABOUT CEPS

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is widely recognised as the most experienced and authoritative think tank operating in the European Union today. CEPS acts as a leading forum for debate on EU affairs, distinguished by its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world.

Goals

- Carry out state-of-the-art policy research leading to innovative solutions to the challenges facing Europe today,
- Maintain the highest standards of academic excellence and unqualified independence
- Act as a forum for discussion among all stakeholders in the European policy process, and
- Provide a regular flow of authoritative publications offering policy analysis and recommendations,

Assets

- Multidisciplinary, multinational & multicultural research team of knowledgeable analysts,
- Participation in several research networks, comprising other highly reputable research institutes from throughout Europe, to complement and consolidate CEPS' research expertise and to extend its outreach,
- An extensive membership base of some 132 Corporate Members and 118 Institutional Members, which provide expertise and practical experience and act as a sounding board for the feasibility of CEPS policy proposals.

Programme Structure

In-house Research Programmes

Economic and Social Welfare Policies
Financial Institutions and Markets
Energy and Climate Change
EU Foreign, Security and Neighbourhood Policy
Justice and Home Affairs
Politics and Institutions
Regulatory Affairs
Agricultural and Rural Policy

Independent Research Institutes managed by CEPS

European Capital Markets Institute (ECMI)
European Credit Research Institute (ECRI)

Research Networks organised by CEPS

European Climate Platform (ECP)
European Network for Better Regulation (ENBR)
European Network of Economic Policy
Research Institutes (ENEPRI)
European Policy Institutes Network (EPIN)

CENTRE FOR EUROPEAN POLICY STUDIES, Place du Congrès 1, B-1000 Brussels, Belgium
Tel: 32 (0)2 229 39 11 • Fax: 32 (0)2 219 41 51 • www.ceps.eu • VAT: BE 0424.123.986