



12 May 2020

## **Non-paper**

### **EU recovery, resilience and renewal building on green and digital growth**

The world is facing a serious COVID-19 crisis, which has affected the citizens and the economy. In order to boost the recovery and return to the path to a sustainable, competitive and socially inclusive economy, the EU needs to harness the European Green Deal and the digital economy. It is crucial to stimulate and renew the European economy and improve the productivity through substantial efforts into both of these EU's new priorities. We need a **comprehensive strategy as well as a short-, medium- and long-term action plan for the recovery phase.**

**The EU's recovery relies on common resilience and an ability to create sustainable growth, innovation and jobs.** A competitive green economy also supports job creation and social recovery. The strategies recently published by the Commission form a relevant framework for recovery measures. The green and digital transition and the strengthening of the single market are the EU's most important facilitators for boosting the recovery.

**Strengthened single market needs to be open, competitive and resilient.** Strengthening the single market is the best way for the EU to improve competitiveness at the global level. During and after the crisis it is important to ensure the free movement of goods, services and labour in critical sectors to increase security of supply within the EU. Services, especially digital ones, generate an increasingly large proportion of the value added in the economy and the manufacturing industry. That is why promptly removing barriers from the service market and preventing new obstacles are important for the recovery of the economy. Europe needs a well-functioning standardisation system that supports innovation and security and safety levels as defined in the EU. In order to promote a well-functioning single market for services a swift adoption of pending legislative service proposals is needed.

**Green Deal and digitalisation are the main drivers of the EU economy.** Advancing the initiatives of the Green Deal and maintaining the target for 2050 climate-neutrality are of utmost importance. Digitalisation, according to "Europe fit for the Digital Age", is a key enabler for reaching the objectives of the Green Deal. The twin transition requires integrated solutions based on cross-sectoral collaboration. Our strong capabilities in the industrial and energy sectors have huge potential to boost European competitiveness.

**Renewing and greening the industry is a key initiative in the EU.** The EU strategy on smart sector integration is a key tool for sustainable economic recovery. European industrial policy needs to be capable of responding quickly to new common challenges. A vibrant, market-driven economy is the best tool for guaranteeing social and environmental wellbeing and the future prospects of Europeans. The EU's new industrial strategy should be tuned to the post-crisis situation. While focusing on the recovery, we need to recognise how intertwined the industrial sectors are. For example the steel industry requires a transformation not only in steel production, but also in circular economy solutions for materials and the use of hydrogen technology in mills. All the industrial sectors that use steel (e.g. in vehicle manufacturing) should be encouraged to commit themselves to green production and – consequently – to the use of low-carbon components.

**European partnerships and industrial ecosystems play an important role in research and business innovation.** The future ecosystems should be horizontally digital-proof and climate-neutral. Well-functioning and wide-ranging industrial ecosystems, combined with the highest level of knowledge of businesses and academia, are important for the competitiveness and innovation capabilities of the EU. Scaling-up the most innovative SMEs, both for the benefit of European ecosystems and for the economy, should be encouraged by providing funding paths suitable for different needs.

**Greening the energy is crucial in transition to climate-neutrality.** The EU strategy on smart sector integration is a key tool to develop EU energy systems and markets enabling sustainable economic recovery. Improving energy efficiency, when deployed in all relevant sectors such as industry and buildings, is an excellent measure to speed up the recovery. The initiative on Renovation Wave highlights effective tools to reduce emissions: digital solutions and building automation, smart energy consumption meters, integration of electricity and heating sectors as well as increased clean energy production and usage. It is important to enable investments in electricity production from various clean sources. It is also crucial to develop energy infrastructure and promote energy innovations such as power to X, digital and circular energy solutions and energy storage.

**Digitalization and new technologies are key enablers of the recovery.** The EU must make full use of and develop its strengths in the digital economy and climate-neutral technologies. Digitalisation has proved its significant role during the current pandemic especially in domains such as telework, remote education and boosting digital business innovation. These innovations should be further developed and encouraged. Critical investments into a digital transition should be continued during the current situation. The momentum of rapid digital adoption should be maintained by investing in skills and capabilities required in the transition. In addition, it is essential to develop the regulatory environment conducive to the use of advanced technologies such as artificial intelligence, high-performance computing and quantum technologies.

**Just transition to green and digital technologies and investing in skills will help create quality jobs and support inclusive labour market.** The economy and labour demand have to be stimulated and jobs supported by taking advantage of the social dialogue. There is a need for continuous reskilling and upskilling to acquire skills and competences needed in the future working life. It is important that also the unemployed persons have the opportunity to update and improve their skills. Particular attention must be paid to promoting youth employment as an integral aspect of sustainable growth. People's motivation to strive and the trust for the future should be encouraged in these challenging times. We also need to mainstream responsible business conduct standards to address social and environmental issues of global supply and value chains.

**The current crisis has revealed vulnerabilities in global production and value chains.** This calls for a discussion on the European security of supply for critical materials, goods and technologies. We see merit in strengthening the **EU's strategic autonomy** and resilience particularly in certain key areas such as pharmaceuticals, in view of improving our preparedness for future crises. However, it is important that the concept of the strategic autonomy need to be carefully considered, market driven and proportional, avoiding any potential harm to the single market, innovation and competitiveness.

**Investments in R&I increase economical, societal, and ecological resilience.** The productivity growth at global level has been modest and thus renewing the economy by boosting research and innovation investments is essential. It is important to identify sources for future economic growth with the most potential. Public and private investments in the research, the exploitation of knowledge and the generation of business models towards innovations will facilitate the exit from the current crisis. The Horizon Europe is a key initiative contributing to European competitiveness. In addition, Cohesion policy focused on strengthening growth, employment and skills plays an important role. Investments to maintain capabilities to innovate in the future are essential.

**To conclude,** the EU needs to take a holistic, green and digital approach as an integral part of the EU single market and of the global context. The sustainable growth and competitiveness faces four megatrends, such as climate change, fierce global competition, the rapid development and transformation of technologies and the need for new skills.

In the pandemic era, strengthening the Green Deal and the digital economy are crucial for the recovery of the EU and renewal of the economy. It is important to stimulate the European economy and to continue social dialogue. At the same time, developing a consistent and transparent long-term policy approach to renew and upgrade the European economy is needed. This calls for creating a comprehensive strategy for the recovery and the action plan for short-, medium- and long-term approaches.