

Mrs Ursula von der Leyen
President of the European Commission

Brussels, 29 May 2020

Subject: Concerns from EPP Members in the ITRE Committee on the EU Recovery Package and Multiannual Financial Framework 2021-2027

Dear President of the European Commission,

We certainly live in unprecedented times where courage and determination are needed to draw the right lessons and achieve a successful recovery for the new generation. It is obvious and will become more and more apparent that the COVID19 crisis has hit the economy across the EU hard, harder than ever before in recent history, and we welcome the right level of ambitions with which the recovery package was put together.

We also congratulate you for the significant amount of funding and the true European approach in preparing this package. The answer to this crisis can only be a coordinated EU approach and the 750 billion Euros are certainly a significant figure. However, from an EPP point of view and from the perspective of our members in the ITRE Committee in the EU Parliament, there are several crucial concerns, which we would like to share with you.

A significant amount of public money in grants and loans cannot be a solution in itself. The main question is how it will be spent. Our political family has always been careful on how to spend taxpayers money. We will not give up this position and will be at the forefront to define now and in the future, how this can be turned into a success. We should also remind ourselves that a decade ago, Member States agreed that by 2020, public and private sectors combined would invest at least 3% of their GDP in research and innovation. Here, Member States, EU and industry miserably failed. One of your predecessors, Mr Barroso, also aimed for Europe to be the biggest powerhouse in terms of innovation and science in the world. Again, we have failed.

We agree that challenges need to be turned into opportunities and the recovery is the right moment to continue our much-needed efforts towards a carbon neutral economy by 2050. Nevertheless, we believe that the digital transition should be addressed at the same level then the decarbonisation. A purely "green recovery" is not reflecting the complexity of the situation. The recovery plan shows a significant unbalance between the "green" and "digital" pillars of the proposal, not only in terms of future funding (investment gap of 120 billion Euros on digital versus 470 billion Euros on the green pillar), but also in concrete measures. Indeed the right digital needs are identified (5G, supercomputing, quantum, cloud

computing infrastructure, industry 4.0, blockchain...), but no specific programmes are announced. The COVID19 crisis has shown how important it is for our economy to embrace the digital transformation and to strengthen our resilience. These are core elements of our long-term competitiveness.

One of the most central questions concerns the conditions for the spending. There is an immanent risk that Member States will spend the funding on non-competitive industries which cannot lay the base for long-term recovery and sustained growth. The funding should focus on real transformation of the economy and this has not been addressed so far. This is even more important in the context of a new debt created to finance the recovery plan: we have to ensure that this will be an investment which will have for first priority the rebuilding of our productive capacity, to give also the future generations the possibility to pay back the debt we will transfer to them. Financial securities and the path for re-payment needs to be clearly defined for that.

What is also lacking fundamentally is a methodology that connects all the different initiatives into a functional system. For instance, while the negotiations on the climate law advance, enshrining the climate neutrality until 2050 into legislation, the other pillars of a successful recovery are still lacking. The long-term industrial strategy, shaping Europe's digital future, the European strategy for data and artificial intelligence, the toolbox on 5G and strengthening cybersecurity, the SME strategy, to name just some of the core EC recent communications still lacking concrete measures. If however we do set binding targets on one side, we also need to follow through by saying how we want to achieve them.

Many of the technologies we need to drive forward decarbonisation and digitalisation are yet to be developed. Nevertheless, the EU research funding seems disconnected from those strategies. There is a contradiction between the large number of EU priorities and the limited increase of roughly 11bn Euros provided for Horizon Europe compared to the previous MFF figures. If carbon-free steel plants or carbon-free aviation are to see the light within the next decade, we need yet to see concrete EU plans to achieve this. Member States have to significantly speed up negotiations to agree on the new MFF so that Horizon Europe and other key programmes can be adopted before the end of the year. In terms of programmes, the Commission should also better demonstrate the value and impact of the large amounts dedicated to InvestEU, which in our opinion has not delivered when it comes to boosting R&D investment.

We welcome the initiative on hydrogen and have been promoting the significance of hydrogen as one of the key elements for decarbonising our industry. If there are 2030/2050 targets on CO2 reduction, there is also a need to set targets to create the necessary infrastructure in order to have hydrogen available sufficiently to decarbonise energy-intensive energy sectors.

More generally, the 10-year climate ambition which we are setting until 2030 should be embedded in an overall 10-year plan which defines research, innovation, infrastructure, industry, energy-efficient targets, digitalisation goals which all come together to achieve economic recovery and long-term growth and jobs.

In order for the recovery to take root, we are also compelled to notice that SMEs are barely mentioned in the package. Given that they are the backbone of our economy and suffered the most under the economic repercussions COVID19, it is essential to target the funding to their benefit. Financial help must come fast and without administrative burden and target start-ups and SMEs in key sectors for transformation. Additionally, we also miss a focus on skills and qualifications in the package and would stress the necessity to adopt an ambitious position on this, following the preliminary elements presented in the “SME strategy”. A stronger focus on skills and qualifications should especially be aimed towards the digital and innovative sectors within the EU SME scheme.

This also needs to be addressed in the impact assessments, which we continue to find inadequate. The methodology used for EU impact assessments are often too simplified, administrative burden is not decisively reduced and SME concerns are often ignored, despite the SME test which often serves as a smokescreen.

These are only some of the concerns of the ITRE committee. We will be looking very closely at how the Commission plans to address these questions. The EP will soon start discussions with the Commission and the Council on the recovery package and MFF. You can count on our support to bring solutions to the challenges outlined. We are calling on you to find the same courage and determination for bringing the recovery to the next level, with a coordinated and coherent policy approach where initiatives complement each other.

I would appreciate to have a meeting with you as soon as possible to discuss these issues.

Yours sincerely,

Christian EHLER
EPP Coordinator in the ITRE Committee

Supported by EPP ITRE Members

BELLAMY François-Xavier
BERENDSEN Tom
BUZEK Jerzy
CARVALHO Maria Da Graça
DEL CASTILLO VERA Pilar
GYÜRK András
KELLY Sean
KUBILIUS Andrius

MAYDELL Eva
NIEBLER Angelika
PATRICIELLO Aldo
PIEPER Markus
SKYTTEDAL Sara
SPYRAKI Maria
BUSOI Cristian
VIRKKUNEN Henna
WEISS Pernille
BENTELE Hildegard
MARINESCU Marian-Jean
SALINI Massimiliano
TOTH Edina