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**Preparation for the**

**Hearings of the Commissioner-designates after the EU elections in autumn**

Elaboration of questions from the sector of economy

Vienna, 01.07.2024

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# Subsection I - Economic governance

## **Public & municipal actors as levers for EU socio-ecological goals**

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| **Question** |
| In order to effectively address the climate crisis, it is crucial for European cities and municipalities to have sufficient financial resources, such as municipal climate investment funds. It would also be beneficial for them to have appropriate co-determination rights at European level, in order to be able to take social aspects into account. Cities and municipalities are already facing significant financial constraints when it comes to providing relevant services of general interest, including social issues. It is also worth noting that municipal companies frequently invest in critical infrastructure, including energy and mobility. As such, they represent a valuable avenue for socio-ecological investment projects. **What role do you believe cities, municipalities and municipal companies should play in achieving the EU's socio-ecological goals?** |
| **Further questions** |
| * How will you ensure that there are plans for EU programmes and funding that provide local actors at the municipal level with greater scope for action? * Please outline your views on the importance of inter-municipal cooperation between cities and municipalities in this context. |

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| **Background** |
| One of the most significant challenges facing our society today is the climate crisis. The majority of measures to combat this issue are implemented at the municipal level. It is therefore essential that cities and municipalities are provided with adequate financial resources at European level, for example through municipal climate investment funds, as well as appropriate rights to have a say. It is therefore essential that the European Commission ensures that the provision of services of general interest is not made impossible or disproportionately difficult for local authorities as a result of liberalisation and privatisation efforts and other requirements. Cities and municipalities are facing significant financial constraints, particularly in terms of their capacity to fund essential services. Furthermore, inter-municipal cooperation, public law contracts and administrative communities are key instruments for the efficient fulfilment of public tasks, taking into account the economical and sustainable use of available financial resources. Since 2012, inter-municipal cooperation, specifically administrative communities and co-operations, have been subject to VAT. Banks and insurance companies, however, are exempt from this, despite being in a similar position. Despite the fact that these services are provided within the municipalities' own sphere of influence, they have become 20% more expensive as a result of inter-municipal cooperation. In the context of services of general interest, it is necessary to implement measures to enhance the financial strength and collaboration of regional and local stakeholders. |

## **Ecological transformation of the single market**

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| **Question** |
| The new EU Taxonomy Regulation and relevant directives, such as the Corporate Sustainability Reporting Directive (CSRD), are designed to accelerate the ecological transformation of the Single Market. The instruments are designed to bring about a fundamental change in companies and markets in the member states, prioritising ecological aspects alongside primarily economic objectives. **What additional initiatives would you recommend to help the EU achieve its goal of becoming climate-neutral?** |
| **Further questions** |
| * Please outline your views on the role of the EU Taxonomy Regulation and the CSRD in the greening of the Singel market. * How do you intend to ensure that the administrative burden for small, medium-sized and non-profit companies with regard to reporting obligations remains as low as possible? * Are you also planning regulatory initiatives (e.g. further bans) to steer Europe as an industrial location towards climate neutrality? |

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| **Background** |
| The EU Taxonomy was adopted as a regulation by the European Council and the European Parliament on 12 June 2020. The Taxonomy Regulation defines what constitutes environmentally sustainable investments and expands the scope of the Disclosure Regulation through the Corporate Sustainability Reporting Directive (CSRD). The EU taxonomy is designed to steer financial markets towards environmentally sustainable investments and financial products, thereby accelerating the ecological restructuring of the internal market. The regulation presents an opportunity to channel business models and fresh private capital into sustainable projects. On the other hand, the regulation introduces a significant administrative burden, particularly in terms of data collection and traditional reporting. From the perspective of services of general interest, the focus is on affordable services for EU citizens, such as favourable public mobility, access to affordable housing and energy. Public and municipal companies, which are the main providers of these services, are adamant that environmental objectives must not be at odds with social objectives. In this context, it is crucial to minimise the administrative burden, for instance, in relation to reporting. Another crucial aspect for those involved in the provision of services of general interest is the capacity to plan. This calls for a discussion on the potential for further regulatory initiatives in the direction of climate neutrality, which would place a burden on Europe as an industrial location. |

## **Comparable indicators and data basis for decision-making processes**

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| **Question** |
| Comparable indicators and robust data are essential for decision-makers to make the right choices, as they provide an objective basis for assessing problems and the effectiveness of policies. This is of particular importance at the EU level, as it enables the achievement of European objectives and ensures coherent policy-making. Comparable indicators and data are therefore a prerequisite for effective planning, resource allocation and policy development to tackle challenges and promote positive change. **How would you like to ensure that urban data is collected across the EU in a quantitative and qualitative manner so that comparable indicators are available for decision-makers and experts?** |
| **Further question** |
| * Data is not only a prerequisite for effective decision-making; it can also contain sensitive information. How do you want to ensure that sensitive critical infrastructure data remains in the public and municipal hands? |
| |  | | --- | | **Background** | | Comparable indicators and data in the EU are crucial for decision-making processes, as they enable the situations and needs of the various member states and regions to be recorded and evaluated. The use of harmonised data facilitates the coordination, monitoring and evaluation of political objectives, measures and results. In addition, comparable data can facilitate knowledge sharing and cooperation. Comparable data is therefore not only important for scientific discourse, but also contributes to effective planning, resource allocation and policy-making in Europe. In this context, it is not only the comparable quality of indicators and databases that is important, but also initiatives to protect sensitive data in Europe, in particular data concerning critical infrastructure. Infrastructures such as data for the operation of power plants or public transport are often provided by public or municipal companies. In light of the above, it is crucial that these entities are able to secure the resources they require to safeguard the infrastructure. | |

## **Constructions to circumvent customs duties in online trade**

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| **Question** |
| In recent years, the turnover of online trade in the European single market has grown consistently. The industrial policy of third countries is designed to facilitate the sale of products purchased online in Europe, which places pressure on the European industry. Third-country suppliers have developed more efficient methods of evading customs duties and Value Added Tax. For instance, Asian suppliers circumvent certain thresholds by splitting their deliveries into small packages. **Please outline your plans to combat duty and VAT fraud in online trade with third countries?** |
| **Further question** |
| * How can customs authorities be given greater capacity and control powers? |

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| |  | | --- | | **Background** | | The importance of online trade has increased steadily in recent years, placing pressure on many players in the European economy. One particular challenge is the practice of many suppliers from third countries of avoiding customs duties and sales taxes by various methods. These practices have been refined and optimised over time. For example, Asian suppliers deliberately exploit thresholds by dividing their deliveries into smaller packages in order to remain below the customs exemption limit and thus avoid additional costs. Such practices not only lead to unfair competition, but also result in significant tax losses for EU member states. A comprehensive strategy is needed to curb tax and VAT fraud in online trade with third countries. In this context, increased controls and the introduction of an automated system for monitoring shipments to detect suspicious patterns at an early stage should be considered. Increased cooperation with international customs and tax authorities could also help to combat fraudulent activities more effectively. Furthermore, the implementation of uniform EU-wide regulations on the taxation of online purchases from third countries would be a prudent measure to address existing loopholes and ensure fairer competition. From the perspective of essential services, a more stringent regulation would be beneficial to ensure that the public sector receives the funds it needs to maintain high-quality public services through taxes and levies. | |

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## **Distortion of competition due to imported products from third countries – CBAM**

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| **Question** |
| The import of products from other third countries can have a detrimental effect on competition in the EU by allowing importers to achieve cost advantages through lower environmental or labour standards. The European Union has implemented the Carbon Border Adjustment Mechanism (CBAM) as a regulatory framework for imports from countries with lower environmental standards. The objective is to ensure that imported products are subject to the same CO2 emission standards as domestic goods by imposing a levy on carbon-intensive imports. **Please outline your position on the Carbon Border Adjustment Mechanism (CBAM) and any further initiatives you plan to implement to prevent distortions of competition for products imported from third countries.** |
| **Further questions** |
| * Are you planning to implement measures to address the impact of import subsidies from third countries on competition? * What other initiatives are you planning to create a level playing field for EU producers and importers from third countries? |

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| **Background** |
| Supply chains also play a pivotal role in enabling the EU to achieve its social and environmental goals. The import of products from third countries can have a significant impact on competition in the EU. Importers gain cost advantages through lower environmental or labour standards, which can distort the market. Such unfair trade practices disadvantage European companies, which are subject to stricter environmental and labour standards and therefore have higher production costs. The Carbon Border Adjustment Mechanism (CBAM) is a significant initiative of the European Union designed to address these competitive imbalances[[1]](#footnote-1). The CBAM works by imposing a charge on imports from countries with lower environmental standards. This charge is calculated as the difference between the lower CO2 emission costs of the exporting countries and the higher standards of the EU. The objective is to ensure that imported products are subject to the same CO2 emission standards as domestic products. This measure ensures a level playing field, providing equal competitive conditions for domestic and foreign products. In light of this, it is also important to consider the need for initiatives to address the impact of subsidies on importers from third countries, particularly in the context of services of general interest. |

## **Public investment at local level (fiscal rules)**

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| **Question** |
| The fight against the climate crisis is primarily taking place at the local level. This is why cities and municipalities in the EU require sufficient financial resources, such as municipal climate investment funds, as well as the right to have a say. Cities, municipalities and other public actors are essential for the delivery of services of general interest. The lack of financial resources makes it challenging for EU citizens to access local services. Furthermore, the current fiscal rules in member states can impede the timely investment in public infrastructure at the local level. **How do you intend to ensure that cities, municipalities and other public actors can continue to carry out their current expenditure and investments in future areas such as digitalisation and climate change, given the constraints of strict fiscal rules?** |
| **Further questions** |
| * Please clarify whether the fiscal rules provide for exemptions for social or ecological investments, in accordance with the so-called "golden rule". * How do you intend to prevent the current set of rules from encouraging people to circumvent them? |

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| **Background** |
| To ensure that cities, municipalities and other public actors can make their current expenditures and investments in future fields such as digitalisation and climate change, it is important to find a balance between budgetary discipline and the necessary flexibility for future investments. The application of the ‘golden rule’ for public investments in budgetary law could prove beneficial in this regard [[2]](#footnote-2). The golden rule differentiates between current budgetary expenditures and investments. It is advisable that public budgets finance their current expenditure from current income, while an expansive financial policy can be implemented in durable goods and infrastructure projects. This would enable cities and municipalities to invest in important future areas without compromising budgetary discipline. From the perspective of ensuring the provision of basic services, it is important that budgetary law allows for exceptions to be made for social and ecological investments. Furthermore, transparent rules of the game must be in place to enable these investments without creating incentives for rule violations. |
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## **Strengthening the monetary union by investing in safe asset markets**

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| **Question** |
| The strengthening of monetary union in the EU is of great importance. It not only ensures the stability of the euro and strengthens confidence in the markets, but also contributes to the creation of a single market for safe assets. Safe asset markets are essential for investors seeking stable returns and low default risk. The closer integration of the monetary union can foster the development of such markets by increasing the availability of safe assets while strengthening the euro area's resilience to economic shocks. **Please outline the initiatives you intend to implement to strengthen the monetary union.** |
| **Further questions** |
| * Please provide an overview of the considerations for investing in safe investment markets in order to stabilise the single currency. * How do you intend to ensure that additional EU spending is initiated for relevant sectors in order to strengthen the EU market? |

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| **Background** |
| A strong euro is a key factor in the prosperity of Europe. In this context, the strengthening of the monetary union in the EU is a key building block for the confidence of financial market participants and the creation of a common market for safe assets. Investors are keen to access markets for safe assets, as they offer stable returns and low default risk [[3]](#footnote-3). Such markets typically comprise high-quality government bonds and other financial instruments that are considered very safe. In the EU, for instance, joint bond issues or highly rated government bonds from member states could serve as safe assets. The closer integration of the monetary union can foster the development of such markets by increasing the availability of safe assets while strengthening the euro area's resilience to economic shocks. From the perspective of the provision of public services, stable capital markets that promote relevant sectors and safeguard future investments are of great importance. |

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| **Question** |
| The current regulatory framework, which includes restrictive deficit rules, makes it challenging for infrastructure projects to be financed through debt. Government guarantees can help to bridge this gap. The Austrian ASFINAG provides a successful example of how state-guaranteed financing can facilitate significant investment, which in turn stimulates the economy. A similar model could be implemented for social housing by the state subsidising low interest rates. In light of the current economic climate, which is characterised by rising inflation and high interest rates, such forms of financing are particularly urgent. **Please outline your views on the role of state guarantees in the financing of infrastructure projects.** |
| **Further question** |
| * Please outline the initiatives you plan to implement to enable public players to finance infrastructure projects (housing, roads, energy) outside of PPP models. |

## **New public financing methods (Austrians ASFINAG model)**

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| **Background** |
| In order to facilitate the necessary infrastructure investments in the EU, new models of public financing are required. For instance, debt with state guarantees can facilitate the necessary capital, as evidenced by the success of ASFINAG. ASFINAG (“Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft”) is an Austrian company responsible for the planning, construction, financing and operation of motorways and expressways in Austria. ASFINAG is primarily financed through tolls and government-guaranteed bonds. The government guarantees enable ASFINAG to borrow money on favourable terms on the capital markets, allowing it to finance the necessary infrastructure projects. This method has proven to be effective, enabling ASFINAG to make significant investments in transport infrastructure without contravening government budgetary constraints [[4]](#footnote-4). Similar models could also be applied to the construction of social housing through government interest subsidies. In light of rising inflation and high interest rates, such forms of financing are essential to create a much-needed living space while minimising the burden on the state budget. State guarantees would ensure that investments in social projects could continue even in unfavourable market conditions. From the perspective of ensuring the provision of essential services, such forms of financing are attractive alternatives to risky public-private partnership models, allowing for the secure investment of necessary infrastructure. |

## **Deepening the capital markets union**

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| **Question** |
| The Capital Markets Union is a cornerstone of European financial integration, facilitating the cross-border movement of capital. It is also an important factor in Europe’s attractiveness as a business location, from a geopolitical perspective. However, there is still tax competition between member states, which has the effect of reducing the services available to EU citizens at the expense of public revenue. **Please outline your plans for further deepening the Capital Markets Union.** |
| **Further questions** |
| * Please provide your views on the role of harmonising tax systems. * Are you planning to harmonise corporation tax and insolvency law? |

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| **Background** |
| The Capital Markets Union is designed to integrate and harmonise capital markets in the EU, thereby providing companies and investors with enhanced access to finance. This is to be achieved by removing obstacles and creating a single capital market that strengthens the efficiency and competitiveness of the European financial system. The capital markets union is an essential prerequisite for overcoming the fragmentation of European financial markets and providing companies and investors with better access to financing opportunities. The path towards a capital markets union is paved with important steps, including measures to harmonise regulations, the development of common standards and the promotion of investments in sustainable projects. The capital markets union is also an important building block for Europe as a business location, offering geopolitical advantages. It strengthens the EU's competitiveness in the global context and increases financial stability. From the perspective of the provision of services of general interest, the harmonisation of tax systems between EU member states is particularly relevant. This will enhance economic resilience and transparency for national supervisory authorities. Furthermore, deepening the capital market union will reduce tax competition between EU member states and the lack of transparency of capital flows. This, in turn, will curb tax evasion and thus free up funds for necessary infrastructure investments. |

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## **Improving the framework conditions for inter-municipal cooperation**

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| **Question** |
| Inter-municipal cooperation, public law contracts and administrative communities are key instruments for the efficient fulfilment of public tasks, ensuring the economical and sustainable use of available financial resources. The focus here is on providing more services to citizens while optimising administrative costs. Since 2012, inter-municipal cooperation, specifically in the form of administrative communities and cooperatives, has been subject to VAT. Banks and insurance companies are exempt from this, although they are in the same situation. Despite being provided within the municipalities' own sphere of influence, these services have become 20% more expensive in one fell swoop as a result of inter-municipal cooperation. **Are you planning an initiative to promote inter-municipal cooperation between EU municipalities and EU cities?** |
| **Further question** |
| * Please outline your plans to ensure that VAT can be waived for inter-municipal cooperation (Public Procurement Directive). |

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| **Background** |
| There are currently numerous funding programmes and financial support options in Europe that are designed to help local authorities meet their goals. Unfortunately, these opportunities often go unused because many local authorities lack the resources or expertise to submit suitable project applications and to complete the necessary administrative tasks. Increased cooperation can help to pool existing resources and to share the expertise of different local authorities, which significantly increases the chances of obtaining funding. The topics are diverse and range from modernising infrastructure to promoting education, culture and environmental protection. There are already some positive examples of successful intermunicipal cooperation in some European regions. Municipalities have joined forces to realise joint infrastructure projects, promote tourism or drive forward the energy transition[[5]](#footnote-5). These projects show that a coordinated and cooperative approach is beneficial for municipalities and can lead to positive results. However, unlike banks and insurance companies, intermunicipal cooperation – specifically administrative associations and partnerships – has been subject to VAT since 2012. Despite the fact that these services are provided within the municipalities' own sphere of influence, they have become 20 per cent more expensive overnight as a result of intermunicipal cooperation. From the perspective of public services, it is crucial to fully exploit the potential of European funding programmes and to sustainably improve the quality of life in the municipalities. |

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## **Prevention of property industry-induced financial crises**

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| **Question** |
| The 2007-2008 financial crisis was primarily triggered by a combination of excessive mortgage lending to high-risk borrowers, inadequate regulation and the collapse of the US property market, which led to a massive loss in asset values and destabilised the entire financial system. The European property market has also been characterised by a period of generous private and public lending over the last 15 years. **How will you mitigate the risk of a property-induced financial crisis in Europe?** |
| **Further questions** |
| * Please outline the steps you intend to take to ensure that very large affiliated companies (e.g. with a balance sheet total of 1 billion or more) are required to present a consolidated balance sheet. * Are there any further considerations to be made with regard to stabilising the financial market in the event of potential over-indebtedness of major players in the real estate market? |

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| **Background** |
| The current situation on the European property market is characterised by a number of factors, including high interest rates, high inflation and a sharp rise in energy costs. These circumstances differ from those that led to the 2007–2008 financial crisis, which was primarily caused by excessive mortgage lending to high-risk borrowers, inadequate regulation and the collapse of the US property market. This resulted in a significant loss of value of assets and the destabilisation of the entire financial system. Nevertheless, the European property market has been characterised by generous private and public lending over the last 15 years and is sensitive to economic downturns. From the perspective of the provision of essential services, it is important to reduce the risk of future financial crises. In this context, transparency of large private companies and sensible regulations are important in order to avoid over-indebtedness and insolvency. |

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## **Expansion of fiscal instruments for future investments**

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| **Question** |
| Given the high investment needs in social policy, climate protection and critical infrastructure, a robust EU budget and financially robust member states are essential. The use of effective fiscal instruments enables a fairer distribution of the financial burden and helps to close tax loopholes, which in turn strengthens the integrity of the EU financial system. **Please indicate which fiscal instruments (e.g., a kerosene tax, a financial transaction tax, an ownership tax, etc.) you consider to be fundamental in order to be able to finance social and climate policy programmes across the EU.** |
| **Further questions** |
| * Please outline the fiscal measures you intend to implement to strengthen the EU budget in order to finance major transnational transformation projects (railway networks, energy networks). * What measures do you intend to implement to reduce tax competition between EU member states? * What initiatives do you consider important to provide member states with greater flexibility in their tax laws to implement social and climate policy programmes? |

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| **Background** |
| The EU's social and climate policy programmes rely on a range of fiscal instruments to finance their operations. New EU programmes are also needed to support the necessary transnational infrastructure investments, such as the expansion of the European rail network and the optimisation of the energy network. In this context, the question arises as to new fiscal instruments for meeting these challenges. For example, the introduction of taxes and levies on certain sectors or financial transactions could help to generate additional revenue that can be used to finance these programmes. However, fiscal measures for the EU budget should be used with a sense of proportion and should aim to achieve a fairer distribution of the financial burden while at the same time strengthening the integrity of the financial system. Furthermore, it is important that these instruments are designed to be efficient in achieving their objectives and that they are used in a coordinated framework at the EU level to avoid distortions of competition and maximise their effectiveness. From the perspective of services of general interest, it is important to ensure that future investments are possible and that sufficient funds are made available for this in the EU budget. |

## **Municipal investments - accrual/depreciation and amortisation**

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| **Question** |
| It is of the utmost importance that European cities and regions maintain their prosperity through the implementation of municipal investments. According to the ESA 2010, investments are considered as expenditure and therefore directly affect the government deficit and debt at the time of purchase or conventional construction of an asset. Conversely, every private company treats investments as assets on the balance sheet, which are amortised over time in accordance with accounting rules. This practice makes it challenging to finance public investments. **Will you adopt accrual accounting for municipal investments, enabling the depreciation of large, long-term investments (such as the construction of an underground) on an annual basis?** |
| **Further question** |
| * Please outline the other initiatives and EU programmes you intend to pursue in order to secure municipal investments in the long term. |

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| **Background** |
| Cities and municipalities are frequently required to plan and implement significant infrastructure projects, including the expansion of the underground railway network, improvements to the water supply and the creation of new recreational areas for their citizens. It is therefore clear that municipal investments are crucial for maintaining prosperity in European cities and regions. According to the ESA 2010, investments are considered as expenditure and thus directly affect the public deficit and public debt at the time of acquisition or conventional production of an asset[[6]](#footnote-6). Conversely, every private company treats investments as assets on their balance sheet, which are depreciated over time in accordance with accounting regulations. This practice makes it challenging to finance public investments. From the perspective of providing public services, it is important that cities and municipalities have the necessary flexibility to make the necessary infrastructure investments. In this context, it would be beneficial to consider the possibility of a periodisation/depreciation for municipal investments. Such a periodisation would enable the financial burden to be distributed more evenly over the life of the investment, thereby improving the financial viability of municipalities. |

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# Subsection II - EU financing and funding programmes

## **Public financing for green investment projects**

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| **Question** |
| Public infrastructure is the foundation of European development and a prerequisite for quality of life, economic growth and price stability. However, energy, transport, buildings and water infrastructure are responsible for around 60% of Europe's greenhouse gas emissions. In order to achieve the European Union's climate change targets, a structural reorganization and expansion of the existing infrastructure systems is essential. **How do you plan to ensure that public funds are channelled into green investment projects?** |
| **Further questions** |
| * What EU programmes and initiatives are you planning to stimulate green investment projects? * How do you intend to ensure that there will continue to be a high level of public funding to meet climate and energy objectives and resilience (CEF)? |

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| **Background** |
| The European Union is firmly committed to the transition to a low-carbon, more resource-efficient and sustainable economy. The objective is to achieve the climate and energy policy goals agreed as part of the United Nations Sustainable Development Goals for 2030. The Austrian economy is increasingly recognising the need to address climate change. Climate change is a significant issue for public companies, with Austria facing particular challenges. A recent survey by the European Investment Bank (EIBIS 2022) found that 64% of Austrian companies are affected by climate change. This figure is notably higher than in Denmark (36%), Latvia (41%) and Bulgaria (44%), for example. 40 % of Austrian companies have developed or invested in measures to protect themselves against the physical risks of climate change[[7]](#footnote-7). This figure is in line with the EU average of 36 %. Extensive public investment is required to achieve the socio-ecological transformation. To achieve this, it is essential to implement a common policy that is conducive to climate action. This should include: (i) the pricing of CO₂ emissions; (ii) a shift away from environmentally harmful and non-resilient subsidies; (iii) a shift towards sustainable investments; (iv) prioritisation of resilient infrastructure projects; (v) targeted financing of sustainable services of general interest. |

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## **Continuation and evaluation of current funding programmes (RRF)**

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| **Question** |
| The centrepiece of NextGenerationEU, the Recovery and Resilience Facility (RRF), has and will provide a total of €672.5 billion in grants and loans to Member States. The funds are raised by the EC on behalf of the EU by issuing bonds on the capital markets. Member States can use these funds to make the investments necessary for a resilient Europe. However, the facility is only a temporary instrument, expiring at the end of 2026. **How do you assess the relevance of the ARF and do you plan to continue it?** |
| **Further questions** |
| * What advantages do you think new funding programs would have? * Assuming that the RRF continues beyond 2026, what conclusions do you draw from the programme so far and what would be different if it continued? |

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| **Background** |
| The independent High-Level Group on the Future of Cohesion Policy has presented its report, which assesses the functioning of cohesion policy. The report makes recommendations on how to ensure that this policy continues to promote prosperity and convergence across the EU. The Commission has also presented the mid-term review of the Recovery and Resilience Facility (RRF), the EU financial instrument for recovery which forms the centrepiece of the € 800 billion NextGenerationEU (NGEU) plan. Approximately half of the anticipated increase in public investment between 2019 and 2025 is attributable to EU budget-financed investments, particularly those from the Recovery and Resilience Facility [[8]](#footnote-8). In contrast to previous crises, public investment in Europe increased during the COVID-19 pandemic and the subsequent energy crisis from 3.0 % in 2019 to an estimated 3.3 % in 2023. This is expected to reach 3.4 % of GDP in 2024. The performance-based nature of the RFF, which disburses EU funds contingent on the achievement of milestones, has proven effective in driving the implementation of long-awaited reforms across a range of policy areas. These include supporting the green and digital transitions and strengthening social and institutional resilience. |

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## **Public-private partnerships (PPP projects)**

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| **Question** |
| Public-private partnerships (PPPs) - the mobilisation of private capital to meet public needs - is being touted as a way out of the "budget crisis", particularly in the area of public infrastructure. However, PPP models are not a panacea; they entail high transaction costs, costs for ongoing monitoring and external advisory services. In the infrastructure sector in particular, private companies working on behalf of the public sector is nothing new and has in the past created many problems rather than solutions due to a lack of investment. **What is your view on PPP projects and are you aware of any negative examples?** |
| **Further questions** |
| * In your opinion, to what extent is the implementation of infrastructure projects through PPP models more cost-effective in the long term than resilient and climate-friendly financing by the public sector? * What measures are you planning to ensure that PPP models do not lead to socio-environmental rebound effects? |

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| **Background** |
| The term 'public-private partnership' (PPP) was first used during the reform phase of the 'New Deal' in the United States. The concept of PPP as it is understood today bears no resemblance to the original idea. The current PPP concept originated in the United Kingdom at the end of the 1990s. Following the financial and health crises of the privatisations carried out under Margaret Thatcher's Tory governments (railways, water, etc.), ‘New Labour’ developed an ‘alternative concept’ with financial players in the City of London. To date, approximately 700 PPP projects have been launched in the UK, with the European Union also adopting the model. The EU views PPPs as a means of complying with the Maastricht criteria, as they do not result in an increase in debt, at least in nominal and budgetary terms. It is important to note that PPPs represent a form of 'structured financing'. While the initial advantage is that the public sector does not incur any debt, the payment obligations arising from a PPP contract contribute to a further erosion of public budgets as the contract term progresses. The interests of the external investor are promoted, while the interests of the public sector must be set aside. |

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## **New SME definition for public companies**

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| **Question** |
| A competitive economy is one in which the sustainable rate of productivity is capable of raising growth and hence incomes and quality of life. Sustainable competitiveness has long been a key policy priority of the European Union (EU). Micro, small and medium-sized enterprises (SMEs) play a central role in the structure of European economic policy. Through their activities and infrastructures, public enterprises have a huge potential to reduce greenhouse gases in order to manage the coming socio-environmental transition, but they are excluded from the SME definition**. What concrete steps are you planning to take to change the definition of SMEs?** |
| **Further questions** |
| * What is the significance for you of the change in the definition of SMEs to include public economic operators? * What is the timeframe for implementation? |

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| **Background** |

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| The European Union (EU) defines micro, small and medium-sized enterprises (SMEs) in Recommendation 2003/361[[9]](#footnote-9) . In accordance with this definition, a company is considered an SME if it employs a maximum of 249 individuals and has an annual turnover of up to €50 million or an annual balance sheet total of up to € 43 million. These thresholds relate to individual companies. If a company is part of a larger group, the number of employees and the turnover or balance sheet total of the group must be taken into account, depending on the size of the shareholding. The EU Commission's definition of an SME is essential for accessing financial resources and EU funding programmes that are specifically aimed at these companies. The current SME definition excludes many municipal companies, which means that many funding programmes are not accessible to them. Furthermore, disadvantages arise in the areas of subsidies and taxes. In light of the challenging financial circumstances currently facing public companies and municipalities due to the impact of the COVID-19 pandemic, the EU Commission should reconsider its approach in this area. Public companies should be provided with additional financial support for the implementation of climate-neutral investments, particularly in view of the imminent investment potential as part of the Green Deal. |

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## **Dual-use criterion - climate protection and security of supply for critical infrastructures**

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| **Question** |
| Recent years of crises (pandemic, energy poverty and war) have shown European Union citizens that resilience must be one of the main objectives of the Union and its Member States. The Russian war of aggression forces us to ensure the resilience of all infrastructures and institutions. In the context of climate change, resilience also means above all climate protection, climate adaptation and security of supply. **How do you intend to ensure that projects that do not meet the dual-use criteria but contribute to climate protection and security of supply will continue to have sufficient access to EU programmes/EU funds?** |
| **Further questions** |
| * What new EU programmes and initiatives do you believe are necessary to achieve Europe's climate change targets? * How can we ensure that public actors that guarantee quality of life are financed in a sustainable way? |

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| **Background** |
| Over recent decades, the European Union has faced a number of significant challenges. Climate change, demographic shifts, migratory pressure and the Covid-19 pandemic are all having a significant impact on our society. The Russian war of aggression has had a significant impact on the geopolitical security architecture, highlighting the need for greater resilience in Europe. However, resilience is defined as the ability to not only withstand and overcome challenges, but also to shape transitions in a sustainable, just and democratic way. This multidisciplinary approach takes a holistic view. To build a more resilient society, it is essential to strengthen critical infrastructures and improve the adaptive and transformational capacity of all actors. To enhance the military mobility of the European Union's armed forces both within and beyond the Union, it is vital to develop a more sustainable capacity for a dual-use transport infrastructure along the EU military network and the TEN-T network. This will contribute to the security and defence of Europe. However, a simplified and abbreviated view of the dual-use criterion for transport infrastructure is not sufficient to create a resilient Europe. In particular, it is essential to guarantee security of supply, climate protection and adaptation, as well as energy security. |

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## **Flexibility of EU funding programmes**

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| **Question** |
| The European Union offers a comprehensive range of funding options. The EU strives to meet the evolving needs of society. However, there are instances where funding and funding programmes fail to meet the requirements to implement their objectives efficiently and fairly. Bureaucratic obstacles and exemptions by the EU and Member States make it challenging for many actors to participate. **How will you ensure the necessary flexibility in the application and use of funds in EU funding programmes?** |
| **Further questions** |
| * How can you ensure that stakeholders in public services of general interest are effectively involved in the development, implementation and evaluation of funding programmes? |

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| **Background** |
| The international and national climate protection objectives are ambitious, which means that the European economic area will require significant investment and effort to achieve them. It is clear that traditional funding programmes with strict technical usage requirements and complex and lengthy procedures will not bring the necessary results. At the same time, it is crucial to ensure that the funding is effective in terms of climate targets. The socio-ecological transformation is too complex to set detailed content requirements for individual funding areas as part of small-scale funding projects. Furthermore, the application of static specifications, which are inevitably based on the current state of the art, would prevent innovation. It is precisely new, innovative solutions that are in demand. In addition to efficiency, an open approach to innovation is crucial for climate protection. As the guarantor of a resilient and climate-neutral Europe, the public sector must be given significantly more flexibility and choice when it comes to promoting social and resilient climate protection innovations. The public sector is tasked with managing an increasing number of projects and achieving results more quickly than before, while operating with a smaller workforce. It is therefore essential to modify the funding structure in a way that aligns with the needs and actual administrative capacities, rather than the other way around. With regard to municipal climate protection, it is also important to be able to apply for and account for individual initiatives in a bundled manner, especially in the area of interrelated projects (e.g. expansion of active mobility infrastructure – cycle paths, pavements). |

## **Predictability of EU funding programmes**

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| **Question** |
| The current crises and climate change present significant economic challenges for the European Union, its Member States and the local level. The ongoing Covid-19 crisis has highlighted the need for investment in services of general interest. The Russian invasion of Ukraine has highlighted the urgent need to accelerate the energy transition and end dependence on Russian gas and other fossil fuels. Local public investment in resilient infrastructure and support for clean-up efforts has a positive economic impact, but must be predictable and sustainable. **How can the EU ensure that there are sufficient programs for projects that are also predictable and sustainable for the beneficiaries?** |
| **Further questions** |
| * Please provide an update on the planned optimisation of EU funding programmes. * How significant is the planning factor in the EU funding landscape with regard to further optimisation? |

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| **Background** |
| The European Union (EU) has made a commitment to reducing greenhouse gas emissions and mitigating the effects of climate change. The European Climate Law is a key component of the European Green Deal, which sets ambitious targets for 2030 in the areas of greenhouse gas emissions, renewable energy technologies, energy efficiency, and more. A number of regulations have been introduced with the objective of making the EU climate-neutral by 2050. To achieve this goal, it will be necessary to make significant efforts, including regulatory and public support to encourage innovation and accelerate the market introduction of zero and low-carbon alternatives. However, to ensure effective and socially responsible implementation of the Union's objectives, planning is essential. In particular, those working in public services of general interest must be supported in the socio-ecological transformation due to their central role in society and within the Single Market. To ensure the structured and predictable funding of projects to be implemented by the public sector for a climate-neutral Union, it is essential to involve key stakeholders and implement long-term tendering mechanisms. This will enable all regions within the European Single Market to benefit. |

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## **Urban Nodes - Mobility promotion**

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| **Question** |
| The current crises and climate change present significant economic policy challenges for the European Union, its member states and the municipal level. The Covid-19 crisis is revealing investment gaps in the area of services of general interest. The Russian invasion of Ukraine has highlighted the urgent need to accelerate the energy transition and end dependence on Russian gas and other fossil fuels. Mobility is a fundamental aspect of our economic, social and cultural activities. **What is your view on the role of urban mobility in the socio-ecological transformation and how do you intend to ensure that sufficient EU funding is available for this?** |
| **Further questions** |
| * Please provide your views on the significance of urban nodes in this context. * With regard to relevant alliances for the implementation of urban nodes, would you be willing to support the POLIS Network's position paper [[10]](#footnote-10) ? |

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| **Background** |
| European citizens have the right to accessible, safe and sustainable passenger and freight transport within the Union. The Trans-European Transport Network (TEN-T) plays a pivotal role in enhancing the mobility of people and goods across Europe. The European Union has developed a comprehensive strategy to improve the mobility and sustainability of European transport infrastructure with the agreement to revise the TEN-T Regulation in 2023. Governance is a key factor in meeting the new requirements for urban nodes, including Sustainable Urban Mobility Plans (SUMPs), multimodal passenger transport hubs and multimodal freight terminals. It is essential that governance structures at the level of urban nodes are adapted to local circumstances and ensure subsidiarity and democratic legitimacy. The European Commission must recognise and balance the differences between Member States and within the urban nodes network. A tailored approach at the national and local level can address the diverse needs and circumstances of the 431 nodes. Furthermore, it is crucial to ensure adequate funding to fulfil the requirements set out in the TEN-T rules. It is important to recognise that local and regional authorities are not in a position to bear the entire cost of ecological transition on their own. It is crucial to maintain a robust funding framework to guarantee sufficient funding for TEN-T-related initiatives. This also includes projects to improve urban mobility. It is not only studies that should be funded, but also the implementation of projects. |

## **De minimis aid**

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| **Question** |
| The objective of public undertakings is to provide services of general interest to citizens within the Union and to provide services of general public interest. They provide services of general interest to the population and do not operate in a profit-oriented or competitive manner on the market. This underscores the importance of coordination and communication between the various actors involved in the delivery of services of general interest. De minimis aid is intended to support services of general interest in the fulfilment of their tasks. It must not lead to services not being provided for reasons of company law. **Are you planning to revise the de minimis regulation to prevent innovations for services of general interest from being prevented by the principle of cumulation?** |
| **Further questions** |
| * What steps would you recommend to make de minimis aid and SGEI aid more attractive for innovative projects within a company? |

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| **Background** |
| Financial support under the De minimis Regulation is defined as aid which, under certain conditions, is not subject to the notification procedure with the European Commission. This is because it is assumed that competition and trade between Member States are not affected due to its negligible amount, and therefore does not fulfil all the criteria of “state aid”. Such subsidies are permitted for single entities. In accordance with the principle of sincere cooperation enshrined in Article 4(3) of the Treaty on European Union, the Commission must ensure that the rules on state aid are complied with. Member States should facilitate the fulfilment of this task by the Commission by taking appropriate measures to ensure that the total amount of support granted to an undertaking under the de minimis rule does not exceed the maximum amount allowed. Member States should monitor the granting of assistance to ensure that the rules on cumulation are complied with. The term 'single entity' encompasses all entities that are either wholly independent or linked by at least one of the following relationships (I) an undertaking holds the majority of the voting rights of another undertaking; (II) an undertaking has the right to appoint or dismiss the majority of the members of the administrative, management or supervisory body; (III) an undertaking has a dominant influence by contract; (IV) an undertaking exercises sole control over the majority of the voting rights by virtue of an agreement. This regulation hinders the effective utilisation of de minimis support by public service providers in the area of services of general interest and disadvantages them in the Single Market. It is therefore necessary to amend the definition and revise the de minimis regulation in order to enable socio-ecological innovations for and in services of general interest. |

## **General Block Exemption Regulation**

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| **Question** |
| The energy and climate crisis, along with the Russian war of aggression, have brought the need for a resilient and secure Europe to the forefront of public discourse. In collaboration with its member states, the European Union has set ambitious targets for the implementation of climate protection and adaptation measures on the one hand and for a secure Europe on the other. The next step is to create a legal framework that allows for rapid and efficient implementation, avoiding bureaucratic hurdles that could hinder the socio-ecological transformation. It is the responsibility of the member states to provide support to the individual sectors. **Please outline the steps you intend to take to extend the General Block Exemption Regulation to other sectors.** |
| **Further questions** |
| * Which initiatives and EU programmes do you intend to utilise in order to provide enhanced support to regional players in financing projects for a resilient Europe? |

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| **Background** |
| The General Block Exemption Regulation (GBER) is a cornerstone of the Commission's reform to modernise EU state aid law. Its objective is to promote economic growth and focus EU approval procedures on large subsidy cases that could lead to unfair competition. On 23 June 2023, the European Commission adopted an amendment to the General Block Exemption Regulation (GBER) to further simplify and accelerate support for the EU's green and digital transitions while protecting fair competition conditions in the Single Market. The GBER enables member states of the European Union to implement certain state aid measures directly. The amendment exempts certain categories of state aid from the obligation to notify the Commission in advance if, in the Commission's opinion, the benefits to society outweigh any distortions of competition. It should be noted that failure to meet the criteria set out in the GBER does not automatically render a state aid measure incompatible with EU state aid law. Rather, it simply requires that the measure should to be notified to the Commission prior to implementation. However, there is a need for a more precise analysis and an extension of the groups within the GBER, in particular to actors who want to promote socio-ecological change and must also effectively implement it due to numerous regulations. In particular, public service providers are at a disadvantage, despite having the greatest potential to drive socially responsible transformation towards a net-zero-emissions union for society. It is therefore essential that they receive more support. |

## **Scalability of subsidised projects**

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| **Question** |
| The energy and climate crisis, as well as the Russian war of aggression, have brought the need for a resilient and secure Europe to the forefront of public discourse. The European Union has set itself targets in conjunction with its member states for the implementation of climate protection and adaptation measures on the one hand and for a secure Europe on the other. The objective is to facilitate the broad implementation of existing technologies and innovations to overcome financial constraints and accelerate the socio-ecological transformation. **Please indicate which initiatives and EU programs you would like to use to ensure that existing and significantly more efficient technologies are promoted in the roll-out phase so that they can be used across the board.** |
| **Further questions** |
| * Please outline the relevance of the scalability of funded projects in the area of critical infrastructures to your considerations. * What are your thoughts on the future organization of operating aid for innovative and resilient climate projects of general interest? |

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| **Background** |
| Subsidies are a key instrument to support the market launch of innovative and climate-friendly process technologies. The programme is designed for businesses that are only able to optimise their existing processes to a limited extent in terms of their CO2 emissions. In order to achieve decarbonisation in line with the European Union's targets, these businesses require completely different or significantly modified processes. This results in a significant requirement for investment from Member States or third-party investors. However, the unpredictability of national policies and geopolitical crises presents a risk to the investment potential for important long-term transformation processes. Furthermore, the implementation of climate-friendly processes (products) often results in significantly higher variable operating costs than standard, emission-intensive process offerings. This is due to a number of factors, including an insufficient CO2 price, a homogeneous product price, and higher operating costs due to changes in energy sources. In addition to the cost differential resulting from the aforementioned factors, the risk of price fluctuations, crises and wars is also a significant consideration. **Subsidies for technologies in the roll-out phase** offer the opportunity to significantly bring forward the market launch and implementation of such processes by cushioning the cost differences and risks. The most significant impact is the pull-forward effect, given the long technical lifespan of green economy systems and processes in the context of public services of general interest. A ‘window of opportunity’ exists in particular when reinvestment cycles are due. In addition to its role as a market launch instrument, scalable promotion of technologies in the roll-out phase could also contribute to technology development and, as a result, to technology transfer within the Single Market. |

## **European Social Climate Fund**

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| **Question** |
| Climate change will have economic and social impacts. Substantial public funding will be needed to meet climate change targets. Financing public infrastructure is a guarantee for affordable mobility, investing in energy efficiency measures and heating systems based on renewable energy and participating in energy communities are effective ways to reduce dependency and at the same time strengthen the Union's resilience. Earmarked funds are needed to support disadvantaged households, disadvantaged businesses and disadvantaged transport users. **How would you use the European Social Fund to support regional public services in particular?** |
| **Further questions** |
| * How can it be ensured that these funds also reach municipal and local actors and businesses? * What other initiatives and EU programs are you planning to ensure a socially just transition to a climate neutral Europe? |

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| **Background** |
| Social protection plays a pivotal role in the achievement of several environmental objectives set out in the 2030 Agenda for Sustainable Development. It is believed that various social protection instruments have the potential to enhance the resilience of vulnerable groups to climate change, facilitate a just transition to a green economy and drive intergenerational resilience building. A just transition will not be just if it is not inclusive. Currently, one in five Europeans is at risk of poverty or social exclusion. The concept of "leaving no one behind" implies the necessity to direct particular attention to the most vulnerable groups in the context of the energy transition. Those most vulnerable to the effects of climate change, including financially and politically, are those who are already disadvantaged. The Social Climate Fund (SCF) proposed by the European Commission offers a solution to bridge the financial and political gap. The SCF would provide EU funding of over € 72 billion over the period 2025-2032, to be used mainly through the Emissions Trading Scheme in the buildings and road transport sectors. However, it is crucial that these funds are allocated to the individuals and organisations that have been fulfilling the social mandate for a fair and ecological life in their respective fields of activity for decades. The SCF must provide better and more effective support to services of general interest and their companies, particularly in assisting socially disadvantaged groups in society. This is the only way to ensure that the socio-ecological transformation is fair and sustainable. |

## **Effective infrastructure funding**

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| **Question** |
| The European Union has set itself ambitious targets for reducing emissions and achieving the Paris Agreement. In order to drive a socio-ecological transformation in the European Single Market the European Commission has made various funding instruments available. However, many of these subsidies are aimed at end-of-pipe projects and stand-alone innovations at the end of the value chain in order to realize potential emission reduction. **What priority do you give to infrastructure funding at the beginning of the value chain (e.g. grid expansion) and are new funding programs planned in this regard?** |
| **Further questions** |
| * How do you intend to ensure that these funds reach municipal and local players and companies? * Are you planning a White or Green Book on the design of effective financial instruments for a socio-ecological transformation? |

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| **Background** |
| The European Commission has made a range of funding instruments available to drive forward a socio-ecological transformation throughout the economic system and communities. However, many of these subsidies are aimed at niche innovations and end-of-pipe projects at the end of the value chain in order to realise potential emission savings. This concentration on emission savings for actors and projects at the end of the value chain is an inefficient and ineffective approach to achieving climate targets. The establishment of sustainable industries and economic sectors in the Union is contingent upon investment in infrastructure. For instance, the expansion of digital infrastructure (e.g. broadband) or rail infrastructure represents a crucial foundation. It is therefore crucial that funding is made available at the earliest stage of the value chain. These funds should be directed towards the stakeholders who have been fulfilling the social mandate for a fair and ecological life in their respective fields of activity for decades. It is essential to provide better and more effective support to services of general interest and their companies in order to enable them to fulfil their vital task. This is the only way to ensure that the socio-ecological transformation is fair and sustainable. |

## **The importance of the EIB for climate-protecting infrastructure investments**

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| **Question** |
| The European Investment Bank is the development and investment bank of the EU Member States. It is the largest multilateral financing institution in the world and the most important financier for climate protection within and outside the European Single Market. The European Green Deal aims to make the European economy sustainable and fair. To achieve this goal effectively, quickly and in a socially just manner, enormous financial resources are required in the form of grants and loans, which can be pooled and distributed only across the EU. **What significance does the EIB have for climate-protecting infrastructure investments in Europe and what measures do you want to take to strengthen the EIB's scope of action in this area?** |
| **Further questions** |
| * What other initiatives and EU programs are you planning to ensure a socially just transition to a climate-neutral Europe? * Do you intend to increase the EIB's capital to strengthen its role and make it more resilient to financial crises? |

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| **Background** |
| The shareholders of the European Investment Bank are the 27 Member States of the European Union. EU Member States are eligible for financing from the Bank without restriction or geographical or sectoral quotas. The EIB is the climate bank of the European Union. In this capacity, it provides funding and expertise for economically, technically, financially and environmentally viable investment projects in Europe and beyond, which contribute to the EU's policy objectives and priorities. In pursuing its objectives, the EIB is financially independent and raises the majority of its lending on the international capital markets through the issuance of bonds. The ongoing pandemic, energy crisis and Russia's war of aggression have led to a loss of confidence among economic actors in the Single Market, which has in turn hindered investment in the socio-ecological transition. It is therefore prudent to consolidate EU-wide resources and make European projects accessible to citizens in pursuit of a climate-neutral EU, regardless of political controversies and market fluctuations. This also includes expanding the European Investment Bank's scope of action so that it can withstand future financial crises and provide more start-up financing for climate-friendly infrastructure investments. |

# Subsection III - Digital policy

## **Market distortions due to the platform economy**

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| **Question** |
| Many customers in the EU make their purchasing decisions based on so-called product and company ratings (e.g. reviews on Amazon, Google). These platforms are even used to make decisions about public services and public spaces (e.g. Google Maps). Manipulation and a lack of consistent rules can lead to market distortions. **What initiatives are you planning to ensure that reviews on digital platforms do not lead to market distortions or manipulation?** |
| **Further questions** |
| * Are you planning a White or Green Paper on discrimination against European brands and companies in the Single Market? |

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| **Background** |
| Online reviews have become an important decision-making factor for many people when shopping and are very important for customers, companies and public service providers. They are a way for many customers to make the professionalism and working methods of the company visible to everyone. On the business side, good customer reviews can increase sales and bad reviews can slow them down. On both sides, however, there is a risk of manipulation and the associated distortion of competition. Private individuals can rate products or services, sometimes anonymously, and thus (deliberately) harm companies and public service providers, as well as sites (e.g. Google Maps). On the other hand, manufacturers, retailers and portals can also get involved in reviews in various ways. The consumer advice center therefore warns of serious distortions of competition due to manipulated reviews. Directive (EU) 2019/2161 ("Modernization Directive") was dedicated to the advancing digitalization and the resulting digital challenges, which required adjustments to the EU's legal framework. Although the Directive modernized consumer protection regulations within the Union and introduced new statutory transparency obligations, an investigation by the Federation of German Consumer Organizations (vzbv) in spring 2023 revealed major shortcomings in the implementation of these obligations. Furthermore, there are no European regulations that protect companies and public service providers from distortions of competition caused by manipulated ratings. A European solution would lead to greater legal certainty and ensure that both private companies and public service providers remain safe from false negative reviews that are detrimental to business. |

## **Fiscal instruments for digital companies in the European single market**

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| **Question** |
| While European companies generally provide location-based services in the Single Market and pay taxes and duties on them, we are seeing an increasing dominance of digital business models that operate in a decentralised and tax-optimised manner. **What fiscal instruments do you envisage to create a level playing field between the real and the digital economy in terms of tax and duty burdens in the European Single Market?** |
| **Further questions** |
| * Are there any plans to change the way digital groups are taxed? * Do your plans for taxing the digital economy include differences between small and large companies? * What other initiatives do you consider necessary to achieve a fair tax burden for digital companies? |

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| **Background** |
| The digital economy is one of the biggest challenges for tax policy. Digital groups also generate their sales and profits in places where they have no branch or permanent establishment, making taxation difficult and creating distortions of competition. However, large digital groups shift the majority of their profits to tax havens and therefore pay less tax than small and medium-sized enterprises. The OECD and the EU have therefore been working for some time on implementing solutions for taxing the digital economy, but no agreement is yet in sight. The EU should revive its proposal to introduce an EU-wide digital tax and develop it further based on the OECD proposal in order to have a ready-to-use option in case the OECD proposal is not ratified. Measures against tax avoidance and profit shifting are urgently needed to create a level playing field between the real and digital economy in the European single market. The EU member states should also strengthen their tax authorities and take targeted action against tax avoidance by large digital corporations. The EU should take coordinating action here, particularly via the European Public Prosecutor's Office. |

## **Implementation of digital legal acts**

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| **Question** |
| In recent years, as part of the "Digital Decade", the EU has implemented a number of digital laws that require new or strengthened national supervisory authorities. However, the staffing levels of the Member State authorities responsible for monitoring platforms vary and in some cases are not up to the high standards required, resulting in inadequate monitoring. **How can you ensure that there are enough posts in Member States to implement and monitor the relevant digitisation legislation?** |
| **Further questions** |
| * Are there any plans to implement the Digital Service Act and the Digital Markets Act, for example, through new posts? * Are tax instruments being considered to finance the new expenditure? |

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| **Background** |
| Numerous laws, projects and programs relating to the digital economy have been proposed and implemented in the EU in recent years. Examples include the Digital Markets Act (DMA), the Digital Services Act (DSA) and the Artificial Intelligence Act (AI Act). The implementation and monitoring of the companies affected by the laws pose major challenges for the supervisory authorities. For this reason, it is feared that the necessary bodies are not adequately staffed and that enforcement of the law is stalling. An increase in the number of posts for monitoring and controlling laws in the digital sector will ensure a legally secure EU and can guarantee the enforcement of legal acts. |

## **Expansion of digital infrastructure in technologically underdeveloped regions**

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| **Question** |
| Despite some progress in recent years, rural areas are lagging behind in the expansion of broadband networks. Many rural areas are affected by an inadequate digital infrastructure. **How do you intend to ensure that funding for digital infrastructure also reaches Europe's rural and technologically underdeveloped regions?** |
| **Further questions** |
| * Please indicate the extent to which you plan to use European manufacturers for the procurement of digital infrastructures or to promote/favour them over third countries. * Would you consider using a portion of the allocated funds for rural development to implement the necessary digital infrastructure? |

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| **Background** |
| Despite the many efforts on the part of national governments and the European Union, broadband expansion continues to be slow, especially in rural areas. The expansion of broadband infrastructure is of the utmost relevance in order to establish a stable digital foundation for a competitive business location and liveable cities and regions. In the interests of equal opportunities, all people throughout the EU should have access to adequate digital infrastructures, regardless of whether they live in urban or rural areas. Ultra-fast broadband networks form the backbone of economic, social and cultural activities and are essential for digitalization processes. Investments in a good digital infrastructure are also investments in the future, quality of life and competitiveness. In terms of services of general interest, it is necessary to ensure nationwide fiber optic expansion through fair conditions, also to guarantee a level playing field for small and medium-sized municipal companies. |

## **Costs for the provision of data by public & municipal stakeholders**

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| **Question** |
| Digitisation processes for public and municipal stakeholders are associated with high investment and operating costs. It is important to note that the provision of administrative data and complex real-time data comes at a significant cost. **How do you intend to support public and municipal stakeholders (e.g. administrative authorities, public transport companies, etc.) with the digital transformation and the associated running costs?** |
| **Further questions** |
| * Are there any EU programmes in place that provide financial support for the operational costs associated with the provision of public and municipal data? * In light of the high security risks faced by critical infrastructures, it is crucial to consider the associated costs of cyber security. Are EU subsidies earmarked for this purpose? |

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| **Background** |
| The digital transformation and associated digitalization processes have led to considerable additional costs for many companies. On the one hand, existing systems and processes have to be adapted and integrated to the new digital solutions and employees have to be trained in how to use the new systems. On the other hand, digital systems require continuous maintenance and regular updates in order to remain efficient and close security gaps. Digitalization also increases the demands on IT security, with companies having to make (ongoing) large investments in this area. Other costly issues are data collection and data storage. The high costs of data storage are due to expensive hardware, infrastructure, security measures, compliance requirements and ongoing operating costs. Public companies in particular (e.g. public transport companies) collect large amounts of data in the course of providing their services, the management and storage of which leads to very high running costs. In addition, the majority of public companies are considered critical infrastructure and must therefore comply with stricter rules, which entail additional costs. In this context, the promotion and support of public enterprises should ensure that essential services are provided in a reliable, equitable and sustainable manner, while promoting social and economic stability. |

## **Data protection in the critical infrastructure**

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| **Question** |
| In many areas of daily life, such as health, energy supply, and transport, public and municipal actors have data sovereignty over sensitive data. However, given the business models of large digital corporations, there is a legitimate concern that this sensitive data will be commercialised. **What initiatives are you planning to sustainably protect public and municipal data of critical infrastructures from private commercial interests?** |
| **Further questions** |
| * Please outline your plans for data protection for critical infrastructures in your legislative term. * How do you intend to guarantee that sensitive data from critical infrastructures remains in the public and municipal hands? * How do you intend to ensure that the protection of critical infrastructure is taken into account in all data initiatives at EU level in future and thus guaranteed? |

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| **Background** |
| Municipal administrations and public companies possess operational data, the disclosure of which could jeopardize the functionality and security of the municipal infrastructure and which should therefore also be protected from private commercial interests. This includes, for example, plans for water supply, waste management, traffic control systems and emergency measures, as well as citizens' personal data. Commercial use of municipal data is unethical and can have far-reaching negative consequences. Protecting this municipal data and critical infrastructure is crucial to ensure the privacy of citizens, safeguard the integrity and security of data and comply with legal requirements. |

## **Restriction of tax optimisation measures by large digital groups**

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| **Question** |
| The digital business models of large digital corporations are typically location-independent, enabling them to be offered flexibly from various EU countries and third countries. Some companies are employing tax optimisation strategies that are detrimental to the common good and the real economy. **What initiatives are you planning to restrict the tax optimization strategies of large digital groups?** |
| **Further questions** |
| * Are there already concrete considerations to increase the global sales tax for digital companies (over 15%)? * In this context, are new taxes, such as a transaction tax on tax havens, also being considered in order to create a level playing field? |

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| **Background** |
| The tax optimization strategies of large digital corporations deprive the EU member states in which the companies operate of considerable tax revenues. However, these revenues are necessary to finance public services and infrastructure, such as education, healthcare, security and transportation. Tax optimization measures shift the tax burden and distort competition, as companies that use aggressive tax optimization strategies can gain an unfair competitive advantage over companies that pay their taxes correctly. This can lead to a distortion of the market and impair the competitiveness of location-bound companies. With falling tax revenues, the state has fewer resources for public investment, which is crucial for economic growth and social development. This affects areas such as infrastructure, education, research and development as well as social security systems. Overall, tax optimization measures harm the state and society by reducing tax revenues, increasing inequality, distorting competition and undermining confidence in the fairness of the tax system. In the interests of a level playing field, tax optimization measures for large digital corporations should therefore be restricted. |

## **Joint European cyber defence**

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| **Question** |
| It is becoming increasingly clear that public institutions in Europe are being targeted by cyber attacks. It is of the utmost importance to prevent attacks on energy suppliers, hospitals, municipal administrations and other security-critical areas. **Are you considering establishing a joint European cyber defence initiative based on the American model?** |
| **Further questions** |
| * If a strategic and joint European cyber defence is planned, please indicate the time horizon you see for this. * Please outline the role of the protection of critical infrastructures and sensitive supply chains (e.g. medicines) in these plans. |

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| **Background** |
| Critical infrastructure and public institutions are essential to daily life and the functioning of society and the economy (e.g. energy supply, water supply, healthcare, transportation and communication). For this reason, they are attractive targets for cyberattacks by cybercriminals and state-sponsored hackers.  A common European cyber defense would both ensure the security of the Member States and strengthen the economic and political stability of the European Union. By sharing information on cyber threats and security incidents, EU member states can respond more quickly to threats and take preventive action. Common defense strategies enable a coordinated response to cyber attacks, which increases the effectiveness of defense measures (e.g. faster response times, effective crisis management). In addition, a strong, independent European cyber defense would reduce dependence on external providers and increase the EU's digital sovereignty. Critical infrastructures that operate across borders (such as energy supply, communication and transportation) can be better protected through coordinated measures and common security standards and protocols could help to identify and eliminate vulnerabilities. A common European cyber defense offers a variety of benefits, ranging from increased security and resilience to resource efficiency and a stronger international position. This cooperation is crucial to effectively counter the growing threats in cyberspace and secure the EU's digital future. |

## **Cryptocurrencies - expansion of the market for stablecoins**

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| **Question** |
| Stablecoins are cryptocurrencies that, unlike most other cryptocurrencies, are linked to a stable asset, such as a fiat currency like the US dollar or a commodity like gold. Their value is therefore relatively stable compared to the high price volatility that is typical of other cryptocurrencies. While US dollar stablecoins are already widely used, the market share of euro stablecoins is still relatively low. **To what extent do you plan to support European traders on the international market for stablecoins?** |
| **Further questions** |
| * Are there any plans to regulate the market for stablecoins? * What role do European providers play in the stablecoin market in your opinion? |

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| **Background** |
| Stablecoins are a special type of cryptocurrency developed to counteract the high volatility of traditional cryptocurrencies such as Bitcoin and Ethereum. Their aim is to maintain a stable value that is often tied to a traditional currency or other assets. In this way, price fluctuations can be minimized. Stablecoins offer a bridge between traditional financial systems and the world of cryptocurrencies by combining the benefits of blockchain technology with the stability of established currencies and assets. There are numerous European merchants and platforms that offer or trade stablecoins. Projects such as Stasis EURS and Monerium are developing euro-pegged stablecoins, and leading European crypto exchanges such as Bitpanda, Kraken, Bitstamp and Bittrex Global offer trading in various stablecoins. Regulatory developments in the EU could further drive the use of stablecoins and promote their integration into the traditional financial system. The promotion of stablecoins by the EU can offer several strategic benefits that can strengthen both economic stability and technological innovation within the Union. These include strengthening digital sovereignty, improving international competitiveness and increasing efficiency in payment transactions. |

## **Launch of the digital euro**

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| **Question** |
| The Launch of the digital euro, scheduled for 2028, should be implemented as soon as possible to reinforce the Union's payment infrastructure. **How do you intend to support the European national banks with the introduction of the digital euro?** |
| **Further questions** |
| * Please provide an overview of the planned timeline for the launch of the digital euro. * Will the digital euro result in reduced transaction costs for European merchants with payment service providers? |

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| **Background** |
| The digital euro is a central bank digital currency (CBDC) planned by the European Central Bank (ECB) for the eurozone. It is to be operated alongside the traditional currency and offer a fast, secure and innovative payment method that does not require intermediation by commercial banks. Unlike cryptocurrencies, the value of the digital euro will be guaranteed by the European Central Bank. Central bank money is currently only accessible to non-banks in the form of cash; the digital euro could be a supplement to cash in the future. It is being developed for both companies and private individuals and will be used for everyday transactions. The introduction of the digital euro can optimize payment processes, reduce transaction costs, minimize the environmental footprint and improve financial inclusion by enabling people without traditional bank accounts to participate in the digital economy. For these reasons, extensive support from European national banks is necessary for the introduction of the digital euro. |

## **Tax haven transaction tax**

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| **Question** |
| The European Union is losing 170 billion euros a year due to tax havens within the EU. Corporations and wealthy individuals are shifting their profits to low-tax countries, which has the effect of increasing the proportion of public budgets financed by other taxpayers. **What initiatives and tax measures are you planning to create a level playing field in the single market by imposing a general transaction tax on transactions in tax havens?** |
| **Further questions** |
| * Please outline your views on the importance of tax justice and the role of transaction taxes in this context. * Are there plans to increase taxation on platform-related marketing? |

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| **Background** |
| Every year, EU countries lose considerable tax revenue through tax avoidance and tax evasion via tax havens. According to estimates, the losses can amount to up to 170 billion euros per year. These losses have a profound impact on public finances, competition and social justice. In addition, the use of tax havens and complex tax structuring practices erodes the tax base of many EU member states. The fight against tax havens therefore requires a comprehensive package of measures that increases transparency, strengthens international cooperation and improves national tax regulations. Through a general transaction tax on tax havens, EU member states could significantly reduce the negative impact of tax havens and create a fairer global tax system. |

## **Contradictions in digital laws**

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| **Question** |
| A number of digital laws have been enacted in recent years. Some of these contain contradictory formulations and regulations, which creates confusion and uncertainty among stakeholders. This creates a great deal of legal uncertainty among the stakeholders concerned. **Are you considering a "legal scrub" to resolve contradictions in the digital laws?** |
| **Further questions** |
| * Do you intend to implement a mechanism to resolve inconsistencies in the regulations? |

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| **Background** |
| Due to the large number of new digital legal acts in recent years, legal practitioners are increasingly confronted with contradictory or at least not fully harmonized laws. This is often due to the fact that new regulations are being developed in a fast-moving digital environment where existing laws may not yet have been fully adapted. The EU is fundamentally committed to creating a coherent and harmonized set of rules for the Digital Single Market. Nevertheless, the complexity and rapid development of the digital environment can lead to contradictions and tensions between different regulations. These contradictions require continuous adjustment and coordination between the various legislative initiatives to ensure that they are compatible with each other and promote the EU's overarching objectives in the areas of data protection, competition, innovation and fundamental rights. For this reason, it is advisable to subject EU digital laws to what is known as "legal scrubbing". Legal scrubbing is the process of legally reviewing and cleaning up texts, in particular contracts, draft laws, agreements and other legal documents. This process ensures the legal quality and clarity of documents. A thorough review and clean-up can minimize legal risks and ensure the comprehensibility and consistency of texts. |

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