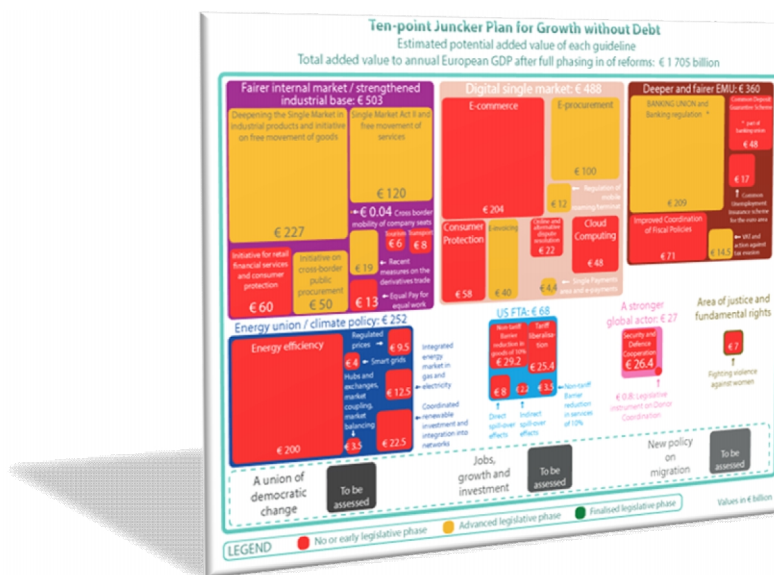


The economic potential of the ten-point Juncker Plan for growth without debt



STUDY

EPRS | European Parliamentary Research Service

European Added Value Unit

November 2014 – PE 543.844

The economic potential of the ten-point Juncker Plan for growth without debt

**Estimation of the
potential added value
of the guidelines
in the Juncker Plan**

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LINGUISTIC VERSIONS:

Original: EN

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PE 543.844

Ten-point Juncker Plan for Growth without Debt

Estimated potential added value of the ten guidelines

Total additional annual European GDP after full phasing-in of reforms: € 1 705 billion

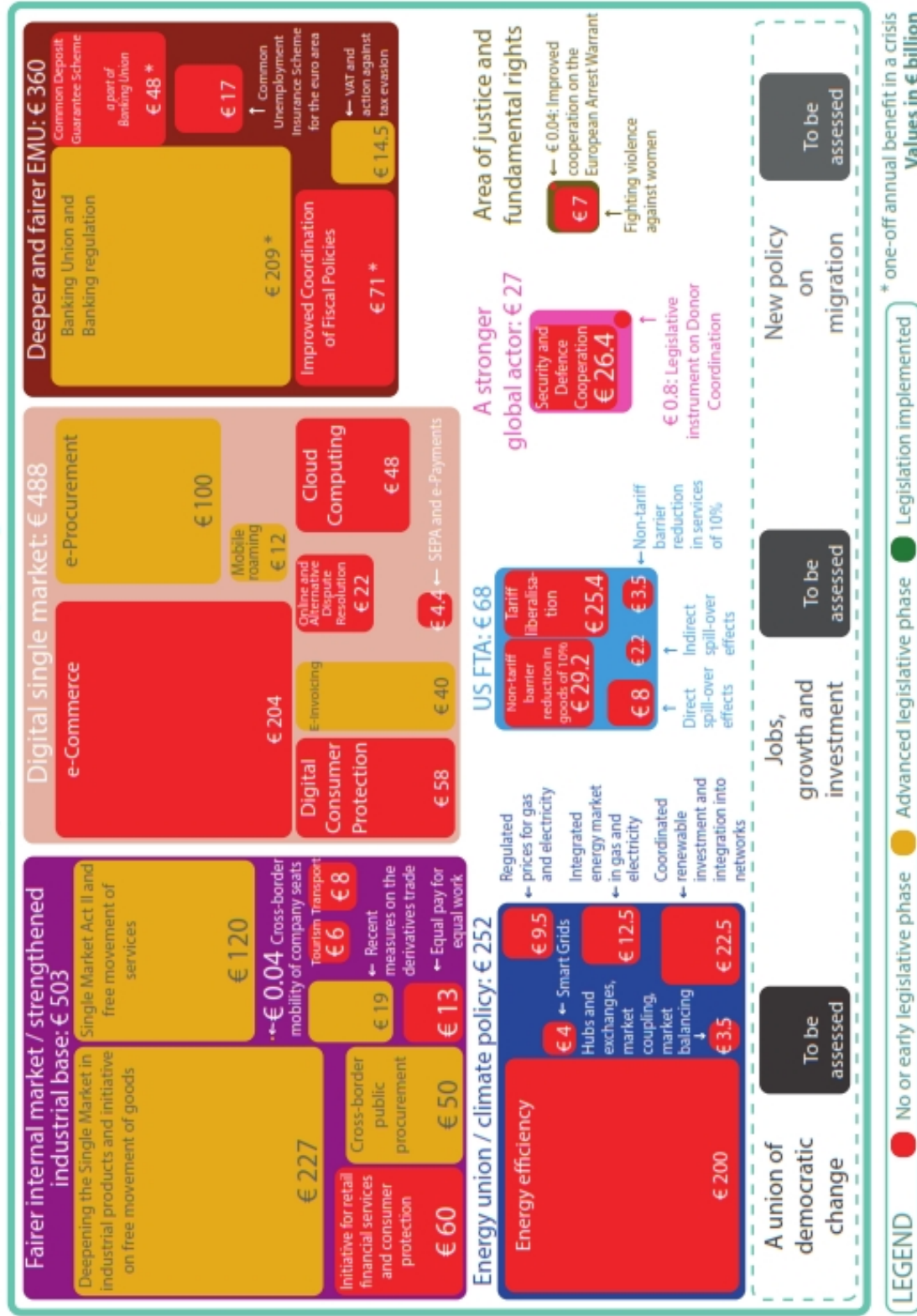


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The Economic Potential of the ten-point Juncker Plan for Growth without Debt

This paper offers a series of provisional estimations of the potential gains to the European Union economy over time from pursuing the ten-point plan presented by Jean-Claude Juncker to the European Parliament before he was elected President of the European Commission in July 2014.

These guidelines also correspond to a significant degree to policy priorities established by the Members of the European Parliament during the seventh parliamentary term through a large number of reports and resolutions which received broad support in the plenary¹. President Juncker's ten points are also broadly in line with several of the objectives set out in the 'Strategic Agenda for the Union in Times of Change', adopted in the European Council in June 2014 when it proposed Mr Juncker to the Parliament as its candidate for President of the Commission².

The potential economic benefits of new European-level action may be measured in terms of additional gross domestic product (GDP) generated or in savings in (current or potential) public expenditure or other expenditure, through a more efficient allocation of resources in the economy as a whole. An example of additional GDP generated would be the potential multiplier effect over time of widening and deepening the digital single market on a continental scale, or indeed of further completing the existing single market in goods and services. An example of greater efficiency in public expenditure would be the better coordination of national and European development or defence policies. An example of potential future costs avoided would be the benefit of effective action to forestall any future banking or sovereign debt crises (although these could be of a one-off, rather than recurring, character).

The analysis set out in this document suggests that there could be very significant economic gains of these kinds, amounting in time to a maximum achievable potential gain of approximately €1.7 trillion per year, on the basis that Mr Juncker's ten priorities were to be fully implemented in a form consistent with various policy requests made to date by the Parliament. As such, these priorities would appear to offer a strategy for achieving 'growth without debt', as the

¹ EPRS Briefing, *Setting EU Priorities, 2014-19: The ten points of Jean-Claude Juncker's political guidelines*, October 2014, available at:

[http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/538963/EPRS_BRI\(2014\)538963_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/538963/EPRS_BRI(2014)538963_REV1_EN.pdf)

² EP Secretary General, *Europe Connects and Europe Protects: Rolling legislative agenda of the European Union*, September 2014, available at: http://www.europarl.europa.eu/the-secretarygeneral/resource/static/files/Documents/20140923_Rolling_Legislative_Agenda_EN_PE539.476.pdf

European Union emerges from the recent economic and financial crises. Of that figure, € 1.4 trillion could potentially be generated on a recurrent basis, whilst € 0.3 trillion would be the potential benefit, in terms of cost avoided, in a crisis year of effective prior action to avert a banking or sovereign debt crisis.

The work summarised in this study derives in large part from research undertaken recently by the European Added Value Unit of the European Parliamentary Research Service (EPRS), with a view to identifying the 'cost of non-Europe' in various major policy fields. In March and July 2014, it published successive editions of a synoptic paper, called *Mapping the Cost of Non-Europe, 2014-19*, a third edition of which will be issued in December 2014.³ This 'Mapping' text brings together and summarises detailed pieces of research undertaken for individual European parliamentary committees since 2012, in the form of *European Added Value Assessments* (on specific legislative initiatives proposed by the Parliament) and/or *Cost of Non-Europe Reports* (on broad policy sectors). It also draws on relevant outside research by academics, think tankers and other experts on the likely effect of other policy initiatives which have been advocated by the Parliament in its various legislative and own-initiative reports in recent years. The 'Mapping' exercise represents work-in-progress and continues to be updated and deepened as more detailed studies, with increasingly robust data on the cost of non-Europe, become available.⁴

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³ European Added Value Unit, *Mapping the Cost of Non-Europe, 2014-19*, EPRS, second edition, July 2014, available at: http://www.europarl.europa.eu/EPRS/EPRS_Mapping_the_Cost_of_Non-Europe-June%202014.pdf

⁴ The figures indicated at any time are those most recently available, taken from the most detailed studies to date. Whenever a spread of figures is suggested, with upper and lower bounds, the figure used is usually the mid-point, in line with the methodology adopted by the Congressional Budget Office (CBO) for its cost-benefit calculations of policies in the United States. (Please see also the Note on Methodology on page 75).

Synoptic Table

Ten-point Juncker Plan for Growth without Debt Estimated potential added value of each of the ten guidelines	Billion euro per year
1) A NEW BOOST FOR JOBS, GROWTH AND INVESTMENT	<i>To be assessed</i>
2) A CONNECTED DIGITAL SINGLE MARKET	488
3) A RESILIENT ENERGY UNION WITH A FORWARD-LOOKING CLIMATE CHANGE POLICY	252
4) A DEEPER AND FAIRER INTERNAL MARKET WITH A STRENGTHENED INDUSTRIAL BASE	504
5) A DEEPER AND FAIRER ECONOMIC AND MONETARY UNION	350*
6) A REASONABLE AND BALANCED FREE TRADE AGREEMENT WITH THE UNITED STATES	68
7) AN AREA OF JUSTICE AND FUNDAMENTAL RIGHTS BASED ON MUTUAL TRUST	7
8) TOWARDS A NEW POLICY ON MIGRATION	<i>To be assessed</i>
9) EUROPE AS A STRONGER GLOBAL ACTOR	27
10) A UNION OF DEMOCRATIC CHANGE	<i>To be assessed</i>
TOTAL ANNUAL POTENTIAL ADDED VALUE	1705

*€ 328 billion would be the potential benefit in a crisis year of effective prior action to avert a banking or sovereign debt crisis.

A deeper and fairer Internal Market with a strengthened industrial base

Deepening the Single Market in industrial products and initiative on free movements of goods

€227 bn

A) Issues at stake

Almost 22 years after the completion of the Single Market, multiple barriers and regulatory obstacles continue to hinder cross-border trade within the EU. Technical barriers and other non-tariff barriers to the free movement of goods in the EU are still widespread. Physical barriers have been almost entirely removed within the EU and the implementation of the single market until now has brought significant economic benefits as foreseen by the 1988 Cecchini Report and confirmed by recent studies by the European Commission. Yet these benefits have been somewhat less significant than those anticipated and some of them have not yet fully materialised. The main barriers to the full implementation of EU Single Market predominantly relate to delayed implementation of harmonised rules in key sectors, such as consumer goods, equipment and construction products, as well as pharmaceuticals and armaments. There are two main areas where removal has the potential to create additional intra-EU trade: existing barriers to foreign direct investment and non-tariff barriers deriving from administrative regulation and specific arrangements concerning distribution. A higher effect is to be expected from the removal of non-tariff barriers, due to the fact that these are currently more prevalent than barriers for foreign direct investment. Consumer confidence in new unfamiliar brands is also an important factor. Hence the efforts towards a European label of origin and a single market surveillance system for all products, whether harmonised or not.

B) Cost of Non-Europe

The removal of existing trade barriers could boost total intra-EU merchandise exports up to 7% in the long term, and the long-term untapped potential from the removal of trade barriers amounts to between €183 billion and €270 billion (namely, 1.4 to 2.1% of EU GDP), with the mid-point estimate equalling €226.5 billion⁵.

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

In order to complete the Single Market in industrial products⁶, European Parliament has asked the Commission to put forward proposals stimulating sustainable growth-oriented investment, improving competitiveness and deepening the Single Market. The Commission has adopted four proposals related to the elimination of remaining trade barriers for industrial products. (The files

⁵ [Z. Pataki, *The Cost of Non-Europe in the Single Market - 'Cecchini Revisited': An overview of the potential economic gains from further completion of the European Single Market*, European Parliament, EPRS \(European Added Value Unit\), September 2014.](#)

⁶ EP resolution of 11 September 2012 on the Commission Work Programme for 2013 (2012/2688(RSP)).

COM(2013)776⁷, COM(2013)775⁸, COM(2013)237⁹, and COM(2013)227¹⁰ are currently in their preparatory phase in the Parliament).

D) Potential steps forward

According to Parliament's reports and resolutions, areas of further action lie in the elimination of remaining trade barriers for industrial products; the implementation and enforcement of existing single-market legislation; a European label of origin; improving the Internal Market Scoreboard; a better transposition of recent regulations. A particular emphasis should be put on a more efficient standardisation process, ahead of the curve of new product developments likely to follow the digitalisation of production and the convergence of nano/bio/info technologies. The full implementation of the new Regulation of European Standardisation (2012) could be especially important.

⁷ Annexes 1-2 to proposal for a Council Regulation suspending the autonomous Common Customs Tariff duties on certain agricultural and industrial products and repealing Regulation (EU) No 1344/2011.

⁸ Annex to proposal for a Council Regulation opening and providing for the management of autonomous tariff quotas of the Union for certain agricultural and industrial products and repealing Regulation (EU) No 7/2010.

⁹ Proposal for a Council Regulation amending Regulation (EU) No 1344/2011 suspending the autonomous Common Customs Tariff duties on certain agricultural, fishery and industrial products.

¹⁰ Proposal for a Council Regulation amending Regulation (EU) No 7/2010 opening and providing for the management of autonomous tariff quotas of the Union for certain agricultural and industrial products.

A deeper and fairer Internal Market with a strengthened industrial base

**Single Market Act II and
free movement of services**

€120 bn

A) Issues at stake

The untapped potential for the Single Market for services is even higher than for goods: services generate about 70% of value added in the European economy, but their share in intra-EU trade is only about 20%. The horizontal Services Directive (2006/123) has brought some progress in the EU regimes of specific network industries and introduced gradual reforms, in the regimes governing professional qualifications, but in many areas, a deep 'market monitoring' approach to make it work as intended remains indispensable. The provision of cross-border services is also hindered by lack of integrated infrastructure, particularly in electricity and gas, (freight) rail, electronic communications, spectrum (frequencies) for e-Communications, and air traffic control.

B) Cost of Non-Europe

A more deeply integrated EU single market in services - comprising a fuller and more effective application of the Services Directive and further initiatives in cross-cutting service markets (such as retail or logistics) - would lead to long-term gains at a range of 0.3% - 1.5% of EU GDP (mid-point around €120 billion) relative to the level which would otherwise apply under the current state of application of the Services Directive¹¹.

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

In respect of the Single Market for services, the last legislative term saw a new regulation concerning Single Market Governance, a fast-track infringement procedure for the Single Market, as well as the Single Market Act II package. In all these legislative files, full and proper implementation of Parliament's demands needs to be scrutinised. A large number of initiatives at different stages concerning transport, telecoms, digital services, and financial services are likely, when combined and implemented, to change the value chain of certain activities in those sectors, as well as consumer behaviour, creating potentially more opportunities for operations and purchases on a European scale. Early implementation reports and early ex-post impact assessment of the many new schemes will certainly be needed to better understand their value added and cost effectiveness.

D) Potential steps forward

Concerning outstanding measures for improving Single Market governance, the European Parliament has called for a further reduction of the 'transposition deficit' of Single Market Directives. In this context, the Parliament has also proposed a growth initiative based on the

¹¹ [J. Pelkmans, F. Musilli, *The Cost of Non-Europe in the Single Market - II: Single Market for Services*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p.12.](#)

European Semester, underpinned by Structural Funds, project bonds and the Research Framework Programme. The Parliament asks the Commission to legislate better and less in this vast field and to propose regulations rather than directives as the legal instrument of choice to regulate the Single Market. It asks the Commission to develop 'proportionality tests' to identify disproportionate EU legislation and to repeal such legislation. It stresses that all relevant should be submitted to a digital market test. It expects the Commission to deliver:

- a better transposition and implementation of existing legislation, as for instance the Directive on the recognition of professional qualifications and the Service Directive;
- a Single Market for rail passengers, which does not detract from the quality of transport services and safeguards public services obligations;
- a Single Market for Tourism, including the issue of package travel;
- on EU legislative proposals regarding collective rights management for the music sector;
- on a EU legal framework for intellectual property rights;
- legislative action to complete the Digital Single Market, by addressing key impediments and free movement of digital services;
- legislative action ensuring net neutrality.

A deeper and fairer Internal Market with a strengthened industrial base

Initiative for retail financial services and consumer protection

€60 bn

A) Issues at stake

The share of cross-border activities in retail banking was approximately equal to 3% in 1999, and remained close to that value in 2013, at 5%. These figures are on the low side, as retail banking constituted more than half (51%) of the euro area's financial activity in 2013. The already significant fragmentation of financial markets in the Union was further increased by the financial crisis. This situation is due to a large number of obstacles on the supply side, but also to the lack of confidence among consumers, resulting from shortcomings of consumer rights protection in this domain. Abuses concerning long term credit, data protection, and deposit and investment guarantees, may have lasting consequences for individuals.

B) Cost of Non-Europe

Given that language barriers and other significant constraints - together with locking-in effects, vertical integration and possible country-risk pricing - will undoubtedly persist, even with the further integration of financial markets, a potential gain of €116 billion from action to allow cross-border mortgages, insurance and other retail financial services would need to be discounted, leading to the use here of a more modest figure of some €60 billion per year¹². For the time being, possible additional impacts, such as efficiency gains from other forms of credit, as well as the indirect positive impact on the operations of enterprises which use cheaper financing, are not taken into account. A more detailed study is currently being undertaken.

C) State of play at the beginning of the 8th Legislature: early legislative phase

A large number of initiatives at different stage of completion within the context of the overhaul of financial services will impact operations at counter level, increase transparency on products, fees, savers protection and actions in case of abuse. The Parliament called on the Commission for a specific legislative proposal for a harmonised system of consumer information and protection, in particular in the framework of mortgage credit (such as a harmonised, simple and comparable European standardised information sheet including common indications on the annual percentage rate charged, etc.). The Commission presented a legislative proposal on credit agreements relating to residential property in March 2011 and the procedure was finalised in February 2014. The European Parliament adopted in March 2014 a legislative resolution on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation). The Council has yet to deliver on this matter.

¹² [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.19.](#)

D) Potential steps forward

Further demands concern the reporting and financing of securities transactions and of information accompanying transfers of funds. The Parliament has called the Commission to come forward with proposals for a cross-border standardisation directive establishing a coherent and consistent cross-border framework for Insurance Guarantee Schemes across Member States. On payment services, the Parliament has asked for legislative action to ensure payment security, fair competition, financial inclusion, protection of personal data and transparency for consumers and appropriate anti-fraud provisions. Additional legislative demands concern the supervision of institutions for occupational retirement, the Investor Compensation Schemes Directive (ICSD), interchange fees for cards-based payments transactions, long-term investment funds and insurance mediation. In all domains, the Parliament has requested that vulnerable consumers be specifically taken into account by specific amendments to existing texts or by new legislative initiatives.

A deeper and fairer Internal Market with a strengthened industrial base

€50 bn

Cross-border public procurement

A) Issues at stake

The approval of proposals for several new public procurement directives in January 2014¹³ contain a number of measures that are intended to help SMEs to access the public procurement market. The important revisions to public procurement legislation should help close the gaps remaining until now. However, new issues arise concerning the development of cross-border public procurement, particularly the low level of cross-border activity. Up to now only a quarter of active contracting authorities have engaged in cross-border tenders in the previous three years. Although the compulsory advertising of public contracts above a certain threshold has made public-sector contracts more competitive, only around 3% of all contracts are cross-border in the EU. Linguistic and geographic barriers are limiting factors. Small contracting agencies and SMEs so far seem to profit little from the lighter regime available to them, while costs of bidding remain high.

B) Cost of Non-Europe

Public procurement accounts for almost 17% of EU GDP. Legislation has so far delivered savings of €15.1 billion per annum at 2012 prices. It is estimated that greater cross-border public procurement could potentially yield annual savings of €36 to €66 billion (0.3 to 0.5% of EU GDP) per annum¹⁴.

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

In January 2014, the Parliament adopted a package of measures to modernise public procurement, including the revision of two existing directives, a new instrument on the award of concessions contracts, and an international procurement instrument on third- country market access. The package was further complemented by a directive on electronic invoicing in public procurement (adoption March 2014) and two Commission communications, 'A strategy for e-procurement' and 'End-to-end e-procurement' (2012).

D) Potential steps forward

It may be necessary to introduce flanking, coordination and incentive measures to ensure that the new Directives achieve their objectives and to harvest some of the huge potential gains which more cross-border and more efficient public procurement would bring.

¹³ European Parliament legislative resolution of 15 January 2014 on the proposal for a directive of the European Parliament and of the Council on public procurement (COM(2011)0896 – C7-0006/2012 – 2011/0438(COD))

¹⁴ [Ch. Smith, A. Lilico, *The Cost of Non-Europe in the Single Market – IV: Public Procurement and Concessions*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p.8.](#)

A deeper and fairer Internal Market with a strengthened industrial base	€19 bn
Implementation of recent measures on the derivatives trade	

A) Issues at stake

The financial crisis which has been unfolding since 2008 has shown the large costs for tax-payers, savers and investors of inadequate national regulation in the financial markets. Many issues in this sector have since then been addressed. A decisive role has been given to the ECB when it comes to overseeing the banking sector. The purpose is not only to prevent further losses and the piling-up of toxic assets and bad debt - to avoid future banking failures and the many kinds of spill-over risks which could result - but to regain investor confidence in European financial institutions, markets and financial products, in order to ensure that finance flows to real economy. To achieve this, a pragmatic trade-off is to be found between security and cheaper, but short-term laissez-faire. The regime applied to the trade of derivatives has received special attention due to the large volumes involved, the frequent use of naked short-selling, the growing trade of credit default swaps (accused by some to fuel the sovereign debt crisis) and the problems associated with the consolidation of those sometimes very complex and volatile financial assets.

B) Cost of Non-Europe

The Cost of Non-Europe is difficult to assess in markets as big as the global money market, in which the number of actors, operations and the complexity of behaviour are hard to factor in and model. An overall assessment based on large empirical data is being undertaken. At this stage, the Commission estimates that recently-adapted reforms in financial markets should result in a reduction of costs amounting to at least €19 billion per year: this calculation only relates to the reduction of the excess cost of post-trading, to post-trading consolidation and to only part of the securities traded (Target2Securities). This is far from covering all aspects of recently adopted financial services regulation and of files already advanced¹⁵.

C) State of the play at the beginning of the 8th Legislature: advanced legislative phase

In 2009, the Parliament and Council agreed on a recast UCITS Directive which clarifies the conditions under which investment fund shares that receive a 'European Passport' in one Member State can be traded in other Member States on the basis of notification. The recast directive is designed to eliminate bureaucratic obstacles and lays down the rules governing fund mergers. In 2011, the Parliament and Council agreed on a recast of the Directive on Markets in Financial Instruments Directive together with a new Regulation. They aim at introducing uniform and more transparent standards governing securities trading. Emphasis is put on risk disclosure and full transparency on fees. The activities of hedge funds and venture capital funds

¹⁵ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.20.](#)

were further regulated at EU level by the Directive on Alternative Investment Funds Managers (2011) and by the Regulation on European venture capital funds (2013). Some part of the derivative trade has later been directly addressed by the Regulation on Short Selling (2012) and the Regulation of OTC derivatives (2012). But other EP's demands remain unanswered when it comes to reporting and financing securities transactions or to the precise information accompanying the transfer of funds.

D) Potential steps forward

Concerning securities trading only, key proposals concerning Money Markets Funds, Long - Term Investment Funds and improved central securities depositories remain on the table at this stage, while full implementation of legislative decisions taken has to be finalised and scrutinized. Crisis management of non/banking institutions is also one of the important issues that will have to be addressed during the new mandate. Furthermore, the promotion of 'good' securitisation as part of a larger effort to boost finance for growth will also feature in the new mandate.

A deeper and fairer Internal Market with a strengthened industrial base

€13 bn

Equal pay for equal work

A) Issues at stake

The principle of equal pay has been enshrined in the Treaties since the very beginning in 1957, but progress on this issue has been very slow. Today women across the European Union still bring home 16.2% less than their male counterparts in the EU for comparable work. The slow rate of progress in closing the gender pay gap (GPG) shows Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation, at least in its current form, to be ineffective.

B) Cost of Non-Europe

Closing the gender pay gap is not only desirable in its own right, but has a positive effect on economic growth. A persistent GPG reduces economic efficiency because productive labour is not being allocated in an optimal manner. On the contrary, research has proven that closing the GPG can have many positive effects: reduced staff turnover and associated loss of organisational competence for companies and reduced likelihood of lengthy and costly litigation, an increase in productivity, an increase in women's working hours (as women tend to move from unpaid work in the home to paid employment), higher job satisfaction and lower absenteeism. A *European Added Value Assessment*¹⁶ was undertaken by the European Parliament on the potential economic gains from a proposed revision of Directive 2006/54/EC. The minimum and maximum levels of impact of such legislative action on reducing the GPG were assessed to lay between one and three per cent. Based on the analysis of the effects of pay convergence between women and men on the economic performance of Member States and selected third countries, it has been demonstrated that each 1% reduction in the gender pay gap would result in an increase in GDP of 0.1%. On this basis, and retaining the most cautious assumptions, it is estimated that a European-level initiative to revise Directive 2006/54/EC, if it were only to close the GPG by 1%, could boost EU GDP by around €13 billion per year.

C) State of play at the beginning of the 8th Legislature: early legislative phase

In May 2012, the European Parliament adopted a resolution based on a legislative initiative report on equal pay (Bauer report), calling on the European Commission to review Directive 2006/54/EC before February 2013, specifically in respect of definitions, work evaluation and job classification, equality bodies and legal remedies, prevention and discrimination, sanctions, gender mainstreaming. In its response, the Commission indicated that it did not intend to review the directive to address the specific causes of the current gender pay gap within the timeframe specified, but would instead draw up a report reviewing the practical implementation of the directive at national level. The Parliament's Committee on Women's Rights and Gender Equality asked for a European Added Value Assessment to be prepared as a follow-up and to provide

¹⁶ [M. Del Monte, *European Added Value Assessment on the application of the principle of equal pay for men and women for equal work of equal value*, European Parliament, EPRS \(European Added Value Unit\), June 2013.](#)

additional justification for the legislative initiative report. The Commission published the report on the application of Directive 2006/54/EC in December 2013.

D) Potential steps forward

The work done by the European Parliament and in the fitness check of the Commission both point to the need for a revision of the Directive.

A) Issues at stake

Despite transport's key role in the EU economy as a common EU policy and an important generator of jobs, the common transport market remains incomplete and vulnerable to external shocks. The remaining barriers and gaps in the Single Market create substantial costs and hamper connectivity in Europe. The sector also faces significant difficulties, exacerbated by the recent economic crisis, namely in terms of competitiveness and environmental sustainability. The challenge for the transport sector is twofold: to avoid limiting freedom of movement within the EU and to create the necessary conditions to boost EU growth and employment.

B) Cost of Non-Europe

The gains that could be achieved from addressing the remaining gaps, barriers and market inefficiencies in transport have been estimated at €8 billion per year¹⁷. The actions identified include completing market opening, ensuring non-discriminatory access to infrastructure, harmonisation of social legislation, internalisation of environmental externalities and addressing technical barriers that prevent interoperability. Creating a fully integrated transport sector will also mean improved mobility, better environmental sustainability, enhanced internal cohesion and international competitiveness of the EU.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The European Parliament has stressed the importance of establishing a Single European Transport Area characterised by inter-connection and inter-operability, based on genuine European management of transport infrastructure and systems, and to be achieved by eliminating 'border effects' between Member States in all transport modes. The Parliament has also made a series of recommendations in the specific sectors of road transport, shipping, air transport and rail transport - such as proposals on European airspace, a European rail regulator and the opening of national rail markets, as well as the separation of rail transport services from infrastructure.

Several legislative files are on-going and currently blocked or not adopted yet in Council. These concern mainly the establishment of an EU agency for railways, the recast of the railway safety regulation, the interoperability of the rail systems in the European Union, and new rules for establishing and publishing statistics on goods and passenger transport in the rail and waterway sectors. The Commission has so far not responded to Parliament's demand for establishing a European Rail Regulator and for submitting a proposal on the internalisation of external costs of all modes of freight and passenger transport.

¹⁷ [M. Nogaj, *Cost of Non-Europe in the Single Market in Transport and Tourism*, European Parliament, EPRS \(European Added Value Unit\), October 2014, p 62.](#)

D) Potential steps forward

The Parliament will closely monitor outstanding requests and when necessary, follow-up will be given, possibly in the form of legislative own-initiative reports.

A deeper and fairer Internal Market with a strengthened industrial base

€6 bn

A more efficient tourism sector

A) Issues at stake

The tourism sector is a vital component of the EU economy, in terms of growth and jobs, generating on its own around 5% of the EU's annual GDP, employing approximately 5.2% of the total labour. It faces, however, important challenges in terms of growing competition from emerging markets. Europe will need to focus on what it does best and makes it unique to release further potential in the sector and remain the world's number-one tourism destination. The acknowledgement of the importance of tourism in the Lisbon Treaty, with a new EU competence, and the clear statement of its objectives represents a milestone in the development and updating of tourism policies at EU level and a basis for new action.

B) Cost of Non-Europe

It has been estimated¹⁸ that benefits from further action in the tourism sector could generate about €6 billion annually in additional GDP. To achieve this, Europe will need to address tourism-related activities which have lower levels of economic efficiency- for example, SMEs in the food related sector - and promote the development of quality, sustainable tourism.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The European Parliament report of 2011, which addresses the European Commission Communication on Europe, the world's number-one tourist destination outlines a number of potential initiatives and approaches, most notably: co-operation with BRIC countries to increase the arrivals of tourists, co-ordinating tourism initiatives with those from other sectors to avoid overlaps, promoting entrepreneurial activity, particularly for women, and an ICT for tourism platform which promotes e-commerce and provides technology for tourism businesses. It also highlights the diversity of cultural heritage of Europe and supports the development of these, particularly through the use of 'cultural routes'.

D) Potential steps forward

At the beginning of the new legislature, support for a better integration of tourism in other EU policies and for ensuring that the proper application of the legislation in force releases the sector's full competitive potential remains strong in the European Parliament, and might be even reinforced with the current proposal to establish a new Intergroup on tourism. An overview of the tourism sector is currently on-going, with a view to identifying areas where further EU action, based on the new Article 195 TFEU could bring significant added value. This will be followed-up where relevant, possibly in the form of legislative initiative reports.

¹⁸ [M. Nogaj, Cost of Non-Europe in the Single Market in Transport and Tourism, European Parliament, EPRS \(European Added Value Unit\), October 2014, p 62.](#)

A deeper and fairer Internal Market with a strengthened industrial base

Company Law Reform concerning cross-border mobility of company seats

€0.04 bn

A) Issues at stake

Legislative proposals in the field of private company law could help to address issues such as corporate governance, remuneration policies, corporate insolvency, and information released to shareholders. A user-friendly set of rules in company law would help to foster the consistency of practices between countries. In this context, company seat mobility is of a particular interest, as companies may benefit from substantial positive externalities as they move to more relevant business hubs for their activities, closer to clients, suppliers, partners and research centres. Economies of scale and lower transport costs can result from site regrouping of production and coordination. Yet cross-border mobility of company seats is still perceived negatively as a way to allocate corporate profits to the most benign tax environment or to shift high value services to other EU countries with lower salaries and better infrastructures. This is why cross-border company seat mobility is often discouraged by national authorities, resisted by different companies own stakeholders, and sometimes result in expensive court cases. European action in this field will need to take account of these issues.

B) Cost of Non-Europe

Action to facilitate the freedom of establishment of companies could yield savings by facilitating the cross-border transfer of company registered offices. Analysis undertaken for the European Parliament suggests that benefits could amount to €439 million, if 1% of firms were to move, to at least €44 million per year, should only 0.1% of firms be able to move within the Single Market. Additional recent figures show that 1% of additional GDP could be gained if companies were not discouraged from transferring their seats by existing complex procedures¹⁹.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The Commission announced an ambitious programme in Company Law for 2014, with the recast of eight existing directives in company law, based on previous consultations. The proposals mainly focus on insolvency and pre-insolvency procedures as well on transparency. The issue of cross-border mobility of companies is, however, not addressed.

D) Potential steps forward

The European Parliament has asked the Commission to facilitate company cross-border mobility. As far as cross-border transfers of the registered offices of limited companies are concerned, Parliament has requested a proposal to directly revise EU company law which would set up a general solution for loopholes caused by an extensive case law and which would enhance the competitiveness of the companies in the internal market.

¹⁹ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.52.](#)

A) Issues at stake

There is a relatively low level of cross-border e-commerce at a time when such activity within Members States has been growing rapidly, admittedly from an initially low base. Too many barriers still block the free flow of goods and on-line services across national borders. The most serious impediments relate to e-privacy, e-payments, VAT payments, data protection and the large number of geographical restrictions (access to products sold electronically which are limited by law or practice to certain geographical areas). The core issue is to generate trust in e-commerce and in e-transactions, while ensuring adequate protection for EU consumers and suppliers alike.

B) Cost of Non-Europe

Impact studies on e-commerce have long focused on additional business opportunities for suppliers. An additional element now factored in is that of welfare improvements to consumers from a higher level of e-commerce in terms of lower on-line prices and wider choice. The European Commission estimates the immediate potential gain at around €12 billion, and with the right combination of actions at national level and European level, and if e-commerce were to grow to 15% of the total retail sector, which is a plausible assumption, and if all barriers in the field were eliminated in the Single Market, the total consumer welfare gains could reach €204 billion^{20 21}.

C) State of the play at the beginning of the 8th Legislature: early legislative phase

The European Parliament has considered it a policy priority to complete and deepen the Single Market with a fully-fledged digital market. This position has been recalled to the Commission in a series of reports in which the Parliament has asked:

- to address all remaining obstacles to create a pan-European online market;
- to come forward with targeted legislative proposals to strengthen consumer access and trust in products and services traded on-line and offer consumers a simple one-stop shop approach;
- to begin formulation European standards to facilitate cross-border e-commerce;
- to further the on-going assessment of the Community *acquis* affecting the digital Single Market and to propose targeted legislative action on key impediments;
- to introduce legislation applicable to all electronic transaction to protect the right of e-commerce users whatever the digital device they use;
- to submit a proposal for the Adaptation of the Data Protection directive.

²⁰ Commission Communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions - *A coherent framework for building trust in the Digital Single Market for e-commerce and online services* [SEC(2011)1640 final] [SEC(2011)1641 final], p.3.

²¹ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, EPRS, July 2014, p.11.](#)

The Parliament adopted a Commission proposal on Trust in Electronic Transactions in April 2013. The new Regulation aims at ensuring the mutual recognition of electronic identification, authentication and electronic signature across the EU. Parliament and Council are to agree on a major enabling file - the Connected Continent Package - laying down measures concerning the European Single Market for electronic communications.

D) Potential steps forward

Potential steps forward are still expected on a large number of issues concerning cross-border e-commerce, sanctions for e-commerce in counterfeit goods and medicine, as well as the adaptation of the Data Protection Directive, the common European Sales Law and the common European contractual law to the new digital environment.

A) Issues at stake

E-procurement refers to the use of electronic communications by public sector authorities and organisations when buying supplies and services or tendering public works. Increasing the use of e-procurement in Europe can generate significant savings for European taxpayers. These savings would maximise the efficiency of public spending in the current context of fiscal constraints. E-procurement represents a significant untapped potential for the EU economy. It can simplify the way procurement is conducted, reduce burdens and costs, increase the participation of SMEs and deliver better quality and lower prices. A recent revision of EU public procurement rules (in April 2014) could provide a new source of economic growth and jobs and should make it easier for SMEs to win public contracts and reduce the red tape often associated with the process. Key to success remains the proper implementation and application of legislation. Although the new regime should exclude the existence of intra-EU barriers, it only covers approx. a quarter of public purchases and still suffers from weaknesses such as national enforcement or remedies.

B) Cost of Non-Europe.

Estimations by the Commission suggest potential savings for public authorities of €100 billion per annum if all public procurement procedures were dealt with on-line.²² The Parliament's own Cost of Non-Europe Report ('Cecchini revisited') found that, with the now mandatory introduction of e-procurement, annual savings of €50-75 billion could be realised while at the same time increasing transparency and public accountability²³.

C) State of the play at the beginning of the 8th Legislature: advanced legislative phase

In April 2012, the European Commission adopted a communication setting out a strategy for e-procurement to become the rule rather than the exception, by making it the standard method of procurement in the EU by mid-2016. The proposed series of flanking measures include the financial and technical support for the development of e-procurement infrastructure via EU programmes and funding, the identification and sharing of best practices in the area of e-procurement, monitoring the level of take-up and the benefits of e-procurement and, finally, informing stakeholders about the opportunities and benefits offered by e-procurement. In the framework of the legislative project on e-initiatives for SMEs, Parliament had asked the Commission in its resolution on European Broadband (2010/2304(INI)) on 6 July 2011 to take specific measures to ensure that SMEs can fully enjoy the potential of broadband in the fields of

²² European Commission, 2014, Public Procurement Reform Factsheet No. 4: e-procurement, http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/reform/fact-sheets/fact-sheet-04-computerisation_en.pdf. Directives 2014/24/EU and 2014/25/EU. (The adoption of 'self-declarations' as preliminary evidence and the 'winning bidder' approach to documentary evidence would reduce administrative burdens associated with public tendering by 80%).

²³ Ch. Smith, A. Lilico, *The Cost of Non-Europe in the Single Market - IV: Public Procurement and Concessions*, European Parliament, EPFR (European Added Value Unit), September 2014, p.24.

e-commerce and e-procurement. The Commission had confirmed in October 2011 that all the requests made in this resolution are consistent with actions under way or planned within the Digital Agenda or within other initiatives under the Commission Work Programme. In its resolution of 11 September 2012, the European Parliament confirmed its support for the Commission's emphasis on the digital agenda and urged proposals to provide more cross-border services to consumers throughout the EU.

In June 2013, the Commission adopted a communication on end-to-end e-procurement to modernise public administration (COM(2013)453).

D) Possible next steps

Alongside the commitment for European institutions to themselves apply e-procurement and e-invoicing, the roll-out e-invoicing could be a reason to reinforce administrative cooperation between Member States. Further initiatives could be taken in favour of open source software, as well as for text and data mining.

A) Issues at stake

According to the 2013 edition of the EU Consumer Conditions Scoreboard,²⁴ consumers are still considerably more likely to purchase items on-line from national providers (41%) than from those located in other Member States (11%). The main issue is one of consumer confidence. A recent study by the European Policy Centre (EPC)²⁵ points to the lack of effective pan-European legislation to protect consumers from fraud, rogue-trading and identity theft, and presents this as a failure in the provision of an important public good. It concludes that there is economic justification for intervention by government to establish a legislative framework to protect consumers at EU level. This should represent a 'win-win' situation for both consumers and businesses, since the status quo is sub-optimal for society as a whole.

B) Cost of Non-Europe.

An important public good could be created if effective pan-European legislation were to protect consumers from fraud, rogue-trading and identity theft. In this field, potential savings per annum could reach as much as €58 billion²⁶.

C) State of the play at the beginning of the 8th Legislature: early legislative phase

The Parliament's call for an enhanced digital consumer protection has been expressed in three legislative projects.

In the framework of *information and network security*, the Parliament has stated that information and communication technologies (ICTs) are able to deploy their full capacity for advancing the economy and society only if users have trust and confidence in their security and resilience. The Parliament has stressed that information security is critical for robust expansion of internet based services. It has called on ENISA (European Network and Information Security Agency) to consult relevant stakeholders to define cyber-security measures for owners and operators of private networks and infrastructure, as well as to assist the Commission and Member States in contributing to the development and uptake of information security certification schemes, norms of behaviour and cooperation practices among national and European CERTs and owners and operators of infrastructure as and where needed through the definition of technologically neutral common minimum requirements. The Directive 2013/0027(COD) on high common level of network and information security across the Union has been adopted by Parliament on March 2014 and it is currently awaiting first Council's reading position. The proposal aims at imposing obligations on public administrations and

²⁴ European Commission, *The Consumer Conditions Scoreboard - Consumers at home in the single market*, SWD(2013)0291.

²⁵ F. Zuleeg, R. Fontana-Reval, *Economic Rationale for a Digital Single Market*, European Policy Centre, 2010.

²⁶ [M. Peacock, *The Cost of Non-Europe in the Single Market – V: Consumer Acquis*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p.20.](#)

market operators, including critical infrastructures and information society services. As for the *general data protection* Parliament asks the Commission to put forward a platform for the elaboration of global standards for data protection and security to define and regulate the cases in which a private internet company may be required to disclose data to government authorities, and to ensure that the use of those data by government authorities is subject to the strictest data protection standards.

In January 2012, the Commission published the proposals for the Directive (and Regulation on Personal data protection and free movement of data, the so-called 'Data Protection Package'. Parliament adopted its position on 12 March. The package partly addresses the request of the EP by setting rules for protecting personal data in the EU, including law enforcement authorities. Council is still in the process of defining its position. The regulation on a *Common European Sales law* proposed by the Commission presents a set of rules on contract law intended to be self-standing and to co-exist alongside the pre-existing national contract laws, as a second contract law regime. It would serve as an optional instrument for cross-border contracts on sales of good and supply of digital content as well as related services. It could also be an optional instrument for cross-border contracts in B2B and B2C under certain conditions. The Parliament supported this important innovation and amended the text and in February 2014 it adopted the resolution in the plenary. To date, the file 2011/0284(COD) Common Sales Law is awaiting the approval by the Council.

D) Potential steps forward

The hearings of Commissioner-designates indicate a will to adjust copyright to the new digital context, to modernise consumer rules, to finalise web accessibility directive and the negotiations on ambitious Data Protection Regulation on paving the way to a reform of a e-Privacy directive.

A) Issues at stake

The next big evolution for the internet is cloud computing, where centralised data storage and processing offers economies of scale even the largest organisations cannot achieve by themselves. The most substantial economic impact of cloud technology can be realised in the cost savings and increased competitiveness of IT services available to public and private organisations, as well as opportunities leading to new services. Businesses stand to benefit most by avoiding capital expenditure for IT, and being able to scale IT resources; this can also help the creation of innovative SMEs. Similar cost-saving benefits also apply to governments, which can moreover benefit from cloud technologies by increasing the quality and innovation within e-government services they provide to citizens and businesses. The biggest perceived barriers for take-up of cloud computing are the lack of reliability of cloud computing service providers, the inconsistency of transnational laws and regulations, securing privacy, data security, provider lock-in as well as the lack of standardisation. The fragmentation of the digital single market along geographical borders due to differing legal frameworks may restrict or slow down the development of EU-wide cloud-computing based services, for example those dependent on intellectual property rights.

B) Cost of Non-Europe

The Commission's strategy on cloud computing²⁷ outlines actions designed to deliver a net gain of 2.5 million new European jobs, and an annual boost of €160 billion to EU GDP by 2020, by speeding-up and increasing the use of cloud computing across the economy as a whole. The Parliament's own Cost of Non-Europe Report on the Digital Single Market²⁸ estimates possible savings on IT expenditure of 15-30%, leading to an estimate of a direct cost of non-Europe in the range of €31.5-63 billion.

C) State of the play at the beginning of the 8th Legislature: early legislative phase

In 2012, the European Commission launched a dedicated Cloud Computing Strategy with a three-pronged cloud approach aiming to cut through the jungle of different standards, to identify safe and fair contract terms and conditions and to establish a European Cloud Partnership, with the participation of public authorities and industry. The Parliament has recognised²⁹ the potential of cloud computing for the Digital Single Market and has called on the Commission:

- to rapidly adopt specific measures on the use and promotion of cloud computing in relation to open access and open educational resources;

²⁷ European Commission, Communication on *Unleashing the Potential of Cloud Computing in Europe*, COM(2012)529 final.

²⁸ [W. Paczynski, *The Cost of Non-Europe in the Single Market – III: Digital Market*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p. 48.](#)

²⁹ Resolution on *Unleashing the potential of cloud computing in Europe*, 10 December 2013 (2013/2063(INI)).

- to review EU legislation to address gaps related to cloud computing; in particular, adapting intellectual property rights regime to the new age;
- to review Directives for Unfair Commercial Practices, Unfair Contract Terms and E-Commerce;
- to establish a legal framework in the field of copyright that is relevant for content in the cloud;
- to make proposals to improve the terms and conditions used by cloud services.

D) Potential steps forward

No follow-up from the Commission has been delivered to date. The incoming Commission is thus expected to take steps forward on several issues included in the EP report. The need to ensure adequate digital security for cloud computing may trigger new initiatives for administrative cooperation between Member States.

A) Issues at stake

Electronic invoicing (e-invoicing) is a key component of creating a fully functional Digital Single Market by significantly reducing the cost and complexity of invoicing for both senders and recipients. E-invoicing is an important step towards paperless public administration (e-government) in Europe – one of the priorities of the Digital Agenda - and offers the potential for significant economic as well as environmental benefits.

Key issues for a successful regulation on European level include the establishment of a European e-invoicing standard in order to improve interoperability between different, mainly national, e-invoicing systems. Eliminating the existing legal uncertainty, excessive complexity, and additional operating costs for economic operators who are currently faced with different electronic invoicing systems across EU Member States will also help boost the uptake of e-invoicing in Europe which remains very low, accounting for only 4-15% of all invoices exchanged.

B) Cost of Non-Europe

The European Commission estimates that moving from the current situation where electronic invoices account for 5% of business-to-business transactions to widespread acceptance would, in itself, bring benefits of around €40 billion per year.³⁰ The Commission also estimated that the adoption of e-invoicing in public procurement across the EU alone could generate savings of up to €2.3 billion, reducing costs of receiving an invoice through fully automated invoicing from €30-50 to €1.³¹ According to studies carried out by the Member States, the potential savings are of several orders of magnitude larger than the implementation costs and the initial investment could be amortised within a very short period of time (1 to 2 years maximum, in many cases even shorter).

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

On 26 June 2013 the Commission tabled its proposal for a Directive on e-invoicing in public procurement.

The Directive aims to facilitate the use of e-invoicing in Europe by removing market barriers resulting from insufficient interoperability between e-invoicing systems and setting out rules for the reception of e-invoices by the public sector. Specifically, the Directive calls for the development of a European standard for e-invoicing, and obliges all contracting authorities and contracting entities across the EU to receive and process e-invoices complying with the future standard. On 16 April 2014, the European Parliament and the Council reached agreement on the

³⁰ European Commission, *Reaping the benefits of electronic invoicing for Europe*, December 2010, COM(2010)0712.

³¹ [J. Pelkmans, F. Mustilli, *The Cost of Non-Europe in the Single Market – II: Single Market for Services*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p.86.](#)

Directive on e-invoicing in public procurement. The Directive was published in the Official Journal on 6 May 2014 and entered into force on the 20th day following its publication.

D) Potential steps forward

The European institutions could step up their own efforts to implement e-invoicing in all their operations thus setting both standards and best practice examples. In parallel, a Single European regime of e-invoicing could be phased in, through new European law, to all private transactions.

A connected Digital Single Market	€12 bn
Mobile roaming and mobile contract termination rates	

A) Issues at stake

As the European e-Communications market is still operating largely on the basis of 28 national markets, the resulting enormous price disparities have a major distorting effect on the markets and are costly to both public budgets and EU citizens. Subject of three regulations since 2007³², the European Parliament has achieved price caps for voice calls, SMS and data usage as well as a number of transparency provisions. Retail price reductions across calls, SMS and data of over 80% could be realised, data roaming is now up to 91% cheaper compared to 2007. However, roaming still accounts for about 10% of EU operator revenues, and on average, industry and consumers pay double the price for roaming calls that operators have to pay in the wholesale market. The 'Connected Europe' legislative package proposed by the European Commission in September 2013 aims at creating a single market for telecoms in Europe by *inter alia* ending roaming surcharges for mobile services abroad.

B) Cost of Non-Europe

The welfare gains of the existing EU regulation of mobile contract termination rates have been found to be in the range of €2.8 billion to €11.8 billion. Second, the EU regulation of cross-border EU mobile roaming has yielded welfare gains of €4.5 billion for the years 2012-2014³³. Despite difficulties in extrapolating these two examples to date, the total welfare gains of convergence would be much higher than an averaged sum of contract termination rates added with gains from roaming (€11.8 billion), since there are many more services with price disparities³⁴.

C) State of the play at the beginning of the 8th Legislature: early legislative phase

In direct continuation of its position on the three roaming regulations, the Parliament had asked the Commission to review the functioning of Regulation of the European Parliament and of the Council of 13 June 2012 on roaming on public mobile communications networks within the Union and to evaluate the competitiveness of the roaming market, to put forward proposals for a fundamental revision of the regulatory framework for electronic communications and to carry out an evaluation and revision of the Information Society Directive. After the Commission had, in 11 September 2013, adopted the proposal for a Regulation laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 1) the authorisation of electronic communications networks and services (Authorisation Directive), 2) a common regulatory framework for electronic communications networks and services (Framework Directive), and 3) universal service and users' rights relating to electronic communications networks and services (Universal Service

³² [Regulation \(EC\) No 717/2007](#), [Regulation \(EC\) No 544/2009](#), [Regulation \(EU\) No 531/2012](#)

³³ [J. Pelkmans, F. Mustilli, The Cost of Non-Europe in the Single Market - II: Single Market for Services, European Parliament, EPRS \(EAVA\), September 2014, p.13.](#)

³⁴ The impact assessment for the Connected Continent proposals estimated an annual gain of €110 billion.

Directive) and Regulations 1) establishing the Body of European Regulators for Electronic Communications (BEREC) and the Office and 2) on roaming on public mobile communications networks within the Union (recast) , accompanied by the Communication on the Telecommunication Single Market (COM(2013)634/F1)), the Parliament voted to suspend roaming charges by the end of 2015 in its first reading of the Connected Europe package on 3 April 2014. The Council is in the process of finalising its position.

D) Potential steps forward

Both Parliament and the European Council have called for all mobile roaming fees for calls, texts and data to be ended by 2015, providing guidance towards the completion of the Digital Single Market by 2015 and, if adopted, pushing roaming premiums out of the market and closing the gap to national tariffs (the idea being that there should be no difference between domestic, intra-EU and roaming calls by 2016).

A) Issues at stake

Enabling both businesses and consumers to resolve potential disputes over a product or service they had been bought in a quick, efficient and cost-friendly way without or before having to resort to judicial proceedings would benefit especially the creation of a fully functioning Digital Single Market. Alternative dispute resolution (ADR) helps consumers to resolve such disputes with traders. ADR entities are out-of-court (non-judicial) entities, involving a neutral party who proposes or imposes a solution or brings the parties together to help them find a solution.

With a view to the special needs of e-commerce, some of these entities operate fully online (online dispute resolution - ODR - entities), supporting to solve disputes with online purchases, when the consumer and the trader are located far from each other. ODR should work as low-cost, simple and fast procedures, thus being beneficial to both consumers and traders, who can avoid court costs and procedures. Efficient ODR procedures will boost online purchases, in particular from traders in other EU countries. More online and cross-border trade in the EU will give consumers more options to choose from and will also provide businesses with new opportunities - thus driving economic growth across the EU.

B) Cost of Non-Europe

According to the European Commission, one in five consumers in the EU have encountered problems when buying goods or services in the Single Market, leading to financial losses estimated at 0.4% of EU GDP. It is estimated that if EU consumers could rely on well-functioning and transparent ADR/ODR for their disputes they could save around €22.5 billion a year, corresponding to 0.19% of EU GDP³⁵. This figure only includes direct financial savings, and does not take account of less tangible factors which are also important for a well-functioning market, such as increased confidence, trust, customer relations and business reputation.

C) State of play at the beginning of the 8th Legislature: early legislative phase

As a result of the Regulation on Online Dispute Resolution, the European Commission will now have to set up an EU-wide online platform for disputes that arise from online transactions. The platform, accessible via the 'Your Europe' portal and free of charge for all users, will link all the national alternative dispute resolution entities and will operate in all official EU languages. Member States have to implement the ADR/ODR rules by July 2015, the ODR platform itself should be operational in January 2016.

D) Potential steps forward

³⁵ [W. Paczynski, *The Cost of Non-Europe in the Single Market – III: Digital Single Market*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p.41.](#)

Concerning the setting up of the ODR platform and the testing of all the required parameters, including data security and privacy, a report by the Commission has to be addressed to Parliament within 18 months after the entry into force of the Regulation. The extent to which the ODR platform will be used will be determined by a multiplicity of factors going beyond legislative provisions. ODRs are unlikely to be panacea for all issues as ODR is just another 'option' for dealing with disputes, facilitated by development in technology. Online arbitration is likely to be particularly appropriate with respect to simple fact patterns and small claims. However, in more complex cross-border contexts or where large amounts of money are involved, users may be more reluctant to use such systems. Although at present no gaps can be identified in the legislation, it is yet too early to determine whether gaps exist with respect to its implementation.

A) Issues at stake

The European payments market is substantial, with an estimated 3.1 billion individual cross-border transactions of a cumulative value of USD 6.1 trillion. Even during the recent economic downturn, e-commerce has continued to grow. This has coincided with the increased proliferation and reduced cost of mobile internet. A related development supporting growth of e-payments was the expansion of use of internet banking. In view of the still existing gaps related to the substantial heterogeneity of commercial practices between Member States and the excessive costs of making cross-border payments, there is a clear need to update EU Single Market rules for the digital era, establishing i.e. a single area for on-line payments, thus generating trust in e-commerce and affording adequate protection to EU consumers in cyberspace.

B) Cost of Non-Europe

In 2013, the European Commission commissioned PWC to look in to the benefits of SEPA if 100% of all electronic payments denominated in euro were defined as SEPA-compliant in SEPA countries. Across all stakeholders, SEPA was estimated to reduce annual costs by €21.9 billion across the 16 EU countries that account for 97% of all euro-denominated transaction values. Furthermore, around €227 billion in credit lines and released liquidity could be unlocked through cash pooling and more efficient clearing. The majority of these benefits would accrue to businesses. As the implementation of SEPA is on-going, and the remaining gaps are largely non-legislative, and in part relate to information provision and EU-level support for co-ordination of certain technical solutions, it is difficult to assess what share of the total estimated SEPA gains cannot be realised without addressing these gaps. It is assumed that the cost of non-Europe represents between 10% and 30% of total gains from SEPA. This is equivalent to the range of between €2.2 billion and €6.6 billion, and would mainly accrue to businesses³⁶.

C) State of the play at the beginning of the 8th Legislature: early legislative phase

The Commission has sought to improve the situation by introducing the Payment Services Directive (PSD) and the establishment of the Single Euro Payments Area (SEPA). In 2012, the Parliament noted that the European market for card, internet and mobile payments was still fragmented across national borders with only a few big players being able to get acceptance by merchants and to operate on a cross-border basis³⁷. Parliament recognised that self-regulation may not achieve desired outcomes in an acceptable timeframe due to conflicting interests and demanded the Commission to come forward with necessary legislative proposals in order to help ensure a true Single European Payments Area (SEPA) for card, internet and mobile

³⁶ [W. Paczynski, *The Cost of Non-Europe in the Single Market – III: Digital Single Market*, European Parliament, EPRS \(European Added Value Unit\), September 2014, p. 58.](#)

³⁷ EP Resolution of 20 November 2012 on 'Towards an integrated European market for card, internet and mobile payments' (2012/2040(INI)) based on TERHO report.

payments. The SEPA regulation (Regulation EU 260/2012) was adopted in February 2014. The deadline for migration was 1 August 2014. From this point on, all credit transfers and direct debits in euro are now made under the same format: SEPA Credit Transfers (SCT) and SEPA Direct Debits (SDD).

The Commission then published a legislative proposal for a Directive on Payment Services in the Internal Market (2013/0264(COD)) to help develop further an EU-wide market for electronic payments. Parliament adopted amendments to this proposal in April 2014. The matter was referred back for further examination to the committee responsible. The vote was then postponed to a subsequent plenary session. Concerning the proposal for a Regulation on interchange fees for card-based payment transactions (2013/0265(COD)), the matter was referred back to the responsible committee for further examination in April 2014 and the regulation is awaiting committee decision.

A deeper and fairer Economic and Monetary Union

The economic cost of not having a fully-fledged Banking Union in the event of a new crisis

€209 bn

A) Issues at stake

A fully-fledged Banking Union would aim at safeguarding overall financial stability in Europe, breaking in particular the vicious circle between banks and sovereign borrowing costs. The Banking Union should also reduce the current fragmentation of financial markets. The aim is to substitute one single framework for supervision, prevention and crisis management in the banking sector for more than twenty different national systems. Whilst the bulk of the new architecture has been recently approved (2012-2014, Single Supervisory Mechanism, Single Resolution Mechanism, Single Resolution Fund), there is still some progress to be made in terms of a pan-European deposit guarantee. The new single banking rules have to be accompanied by commensurate progress in budgetary discipline if one wishes them to play a decisive role against systemic risks. Member States have therefore established a link between Fiscal Compact and access to the financial backstops of the Banking Union.

B) Cost of Non-Europe

The volume of government intervention in financial institutions during the period from 2008 to 2013, as a result of lack of prevention and crisis mechanisms at central level, amounted to €324.5 billion at the EU level, and €251.6 billion at the eurozone level. The cost of not having a fully-fledged Banking Union at European level is estimated at €223.3 billion (per annum) GDP in the event of a new sovereign debt crisis. The cost would be €195 billion if the crisis were limited to the financial sector. A fully-fledged Banking Union would entail substantial savings in the recapitalisation cost of the banking sector after such a crisis and, to a lesser extent, a substantial reduction in the new issuance of public debt³⁸.

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

At this stage, the Banking Union is made up of three main pillars: the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM) (including a Single Resolution Fund (SRF)) and a common backstop - the Single Deposit Guarantee Scheme (DGS). The European Stability Mechanism Direct Recapitalisation Instrument (ESM DRI) is considered as an additional pillar. The three main pillars of the Banking Union combine with new rules for the banks with the revised Deposit Guarantees (2009), on new Capital Requirements for Banks (CRD IV/CRR package (2013)), and on Bank Recovery and Resolution (BRRD, 2014). The Revised Deposit Guarantee Scheme has been finalised in 2014. Member States have up to one year to transpose it

³⁸ M-Ch. Frunza, *The Cost of Non-Europe of an incomplete EMU to prevent future crisis*, European Parliament, EPRS (European Added Value Unit), November 2014, p.4.

into national law. The Bank Recovery and Resolution Directive (2014) will enter into force partially in 2015 and fully in 2016.

D) Potential steps forward

The Single Supervisory Mechanism (2013) will become fully operational in November 2014. In October 2014, the European Central Bank released the results of the Asset Quality Review and later those of the stress test exercise performed in cooperation with the European Banking Authority. Banks will have between 6 and 9 months to cover any capital shortfalls disclosed by the comprehensive assessment. The full Single Resolution Mechanism Regulation (2014) will be applicable from 2016. In the meantime, the ratification process of the intergovernmental agreement on the transfer and mutualisation of contributions to a Single Resolution Fund (signed by 26 Member States) is on-going. The Single Resolution Fund will be settled in 2016. The European Stability Mechanism Direct Recapitalisation Instrument will only become operational by a unanimous decision of European Stability Mechanism governors by 2016 to create the new instrument. Further revision of the 'Capital Requirements for banks' package has been planned by the Commission. Hearings of Commissioner-designates signal the will to integrate the Fiscal Compact in European Law.

A) Issues at stake

In face of a potential new financial crisis, a better ex-ante coordination of fiscal policies - even in the limits set by the current Treaties - may help to reduce the severity of country-specific risks. They are largely due to the lack of local reforms. Nonetheless a spill-over effect may result at EMU and EU level, due to the extensive economic and financial linkages across Member States and to mutual joint commitments recently taken towards global creditors. Better ex-ante fiscal coordination - if it helps on reforms - is likely to increase resilience in Member States and confidence between them. It will make solidarity easier and less expensive, should it be needed in case of a new crisis. The purpose is to reinforce the coordination of fiscal policies within and even beyond the existing Stability and Growth Pact arrangements. Such a reinforced coordination is needed to guarantee the stability of the euro area deliver on competitiveness reforms, on overall budgetary reengineering and financial sector restructuring, which are still seriously needed in a large number of Member States. This justifies the establishment of new instruments so as to further incentivise Member States.

B) Cost of Non-Europe

A recent research paper³⁹ estimated the cost of non-Europe associated with strengthened fiscal coordination at €85 billion (per annum) or 0.65% GDP, should a new sovereign crisis materialise. In the event of a new financial crisis, the cost of non-Europe is estimated at €58 billion per annum or 0.45% GDP. A genuine fiscal coordination would have an even greater impact than the establishment of a potentially vast common deposit guarantee fund. This study also finds that more efficient fiscal coordination would substantially reduce the contraction in credit flows to the real economy should a new financial or sovereign crisis occur.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The Two-Pack regulation entered into force in 2013, providing the Commission with the possibility to require a revision of a national budget in line with European commitments. Such a possibility has will be used for the first time in November 2014. The European Council also recalled several times that Member States should further coordinate ex ante major economic policy reforms (in line with Article 11 of the [Treaty on Stability, Coordination and Governance](#)) in the context of the European Semester. Despite these clear guidelines, the Commission so far failed to submit a clear framework for implementing these guidelines.

D) Potential Steps Forward

Beyond the revised Stability and Growth Pact, the European Council repeatedly stated since December 2012 that work should be carried out (by the President of the European Council in

³⁹ M-Ch. Frunza, *The Cost of Non-Europe of an incomplete EMU to prevent future crises*, European Parliament, EPRS (European Added Value Unit), November 2004, p.4.

close cooperation with the Commission President) on a system of mutually agreed contractual agreements and associated solidarity mechanisms, i.e. Convergence and Competitiveness Instruments (CCI). With regard to a debt redemption fund and euro bills, the Commission's Expert Group published its final report which concludes that both would have merits in stabilising government debt markets and promoting financial integration, although in different ways and with different long-term implications. However final benefits would depend on various design options. The Commissioners-designate have indicated an early revision of Six Pack and Two Pack as well as the integration of Troika arrangements in the Community framework and signalled the will to have the Financial Transaction Tax adopted together with increased convergence measures in the tax system.

A) Issues at stake

The Common Deposit Guarantee Scheme (DGS) is a key pillar of the Banking Union. Efficient risk pooling at euro area (or EU) level through a single mechanism with credible backstops is a mean of avoiding capital flights and deposit outflows from Member States under market pressure. In the event of individual bank failures, depositors will be covered - up to certain limits and under certain conditions - by insurance financed by a common fund. In the event of a sovereign country under market pressure, maintaining confidence and diversifying risks across the banking sector would be crucial to prevent capital flight and deposit outflows. For this reason, the Common Deposit Guarantee Scheme could help break the vicious loop between sovereign and private sector borrowing costs. The scenarios which the Deposit Guarantee Scheme would avoid are those which occurred when, for example, deposits in Greece dropped by 36% between September 2009 and June 2012; or when in Cyprus, they decreased by 32% between May 2012 and May 2014. The drop in banking deposits has devastating effect on the real economy. Common rules for capital requirements, liquidity ratios, risk management, supervision and resolution are pre-conditions to prevent banking failures and to avoid an excessive use of the common fund. Better fiscal coordination is the first remedy to sovereign crises. A Common Deposit Guarantee cannot be but an element of a more genuine Banking Union. At the same time, a credible backstop or credible backstops must also be attached to a common Deposit Guarantee Scheme, to strengthen its efficiency. Ultimately, a direct credit line from the central bank (or the European Stability Mechanism (ESM)) as a lender of last resort would be an additional asset.

B) Cost of Non-Europe

The cost of non-Europe associated with a Common Deposit Guarantee Scheme is estimated at €64 billion per annum, should a new financial crisis materialise⁴⁰ or, in case of a new sovereign crisis, at €32.5 billion per annum, equivalent to 0.25% GDP. The median figure is €48 billion. The effect of a Common Deposit Guarantee on the overall attractiveness of the EU as a place to invest is not assessed in the study.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The Revised Deposit Guarantee Scheme Directive of June 2014 ensures that depositors will continue to benefit from a guaranteed coverage of €100,000 in case of bankruptcy backed by funds to be collected in advance from the banking sector. The target level for ex ante funds of the Deposit Guarantee Scheme is 0.8% of covered deposits (i.e. about €55 billion) to be collected by banks over a 10-year period. In addition, access to the guaranteed amount will be faster and easier. Repayment deadline will be gradually reduced from the current 20 working days to 7 working days in 2024. EU Member States have until June 2015 to transpose the Directive into

⁴⁰ M-Ch. Frunza, *The Cost of Non-Europe of an incomplete EMU to prevent future crises*, European Parliament, EPRS (European Added Value Unit), November 2004, p.4.

national law. A Directive on investor-compensation schemes (ICSD) is still awaiting Council's position despite adoption by Parliament in July 2011.

D) Potential steps forward

Drawbacks stemming from the current design adopted in 2014 with still mainly national guarantees include the difficulty to allocate costs and responsibilities in case of failure of cross-border banks; the need for a very close cooperation between national guarantee funds; the lack of central authority to make the final call when national authorities disagree; the actual availability of funds at central level.

A) Issues at stake

A European unemployment insurance (EUI) benefits scheme is a financial transfer system from regions with high employment to regions with high short term unemployment to tackle cyclical imbalances. It would require the creation of a Eurozone budget. First mentioned in the 2012 'Towards a genuine Economic and Monetary Union' Four Presidents Report, which called for 'establishing a well-defined and limited fiscal capacity to improve the absorption of country-specific economic shocks, through an insurance system set up at the central level'. Possible advantages of such a EUI scheme would include stabilisation of output fluctuations, increased solidarity and more convergence of labour market institutions and labour market harmonisation, which could in turn lead to a more effective single market. Possible disadvantages include that an EU budget of around 1% of the GDP is not designed for cyclical stabilization, that the EU fiscal framework relies on principle of de-centralized fiscal policy with automatic stabilizers at national level and that other instruments would be quicker and more powerful, such as larger a European investment facility or a better use of the EU budget.

B) Cost of Non-Europe

Several studies and simulations are available. Parliament's own Cost of Non-Europe Report in July 2014 shows that such a scheme would have reduced the GDP loss in the most affected euro-area Member States by EUR 71 billion over the period 2009-2012 (a reduction equivalent to EUR 17 billion per year)⁴¹. The presentation of the Bruegel think tank to EPSCO Council of ministers in July 2014 showed potential annual transfers to countries in deep recession of around 1%-2% of GDP. The same Bruegel presentation showed, as regards the USA, that the stabilisation effect of a federal-state system of unemployment insurance on regional shocks is rather small.

C) State of Play at the beginning of the 8th Legislature: early legislative phase

There is currently no legislative proposal in this field on the table. Several EP resolutions and legislative initiative reports have called for a completion of the Economic and Monetary Union by introducing a Social Pact, including decent living wages. The Parliament has also called on the Commission to elaborate on the feasibility and added value of introducing a minimum unemployment allowance as well as a minimum income at EU level, as well as to come up with an action plan setting common standards and indicators and an exchange of best practices.

D) Potential steps forward

The European Commission had published a paper on automatic stabilisers in October 2013, mentioning the EUI as one of such stabilisers. Commissioner Andor showed himself in favour of EUI as a fund from which national authorities could draw contributions and send payments to. President-elect Juncker stated in his Ten-Point Plan that he would reform EMU on the basis of

⁴¹ [M del Monte, T. Zandstra, Common Unemployment Insurance Scheme for the Euro Area, European Added Value Unit, EPRS, September 2014.](#)

the 'Four Presidents' Report' and the Commission's Blueprint for a Deep and Genuine Economic and Monetary Union, always with Europe's social dimension in mind. Neither he nor Commissioner-designate Thyssen during her hearing made any explicit references to EUI. The current Italian Council presidency stated in its programme that special attention will be paid to the issue of automatic stabilisation through discussions on the possible establishment of an EMU-wide unemployment benefit system as a tool for asymmetric shock absorption at central level". A first debate was held at an informal EPSCO Ministers meeting in Milan in July 2014.

A) Issues at stake

Tax fraud leads to an inefficient and distorted allocation of resources in the economy. Decreasing the size of the EU's shadow economy, estimated to be at around 20% of official GDP, is very difficult to achieve without more effective EU-wide tax cooperation between Member States. VAT fraud specifically and directly impacts the budget of the European Union, as VAT is one of its sources of revenue. It creates imbalances and distorts trade in goods, but also in services and capital products. With the digitalisation of the economy, new possibilities are opening for VAT fraud. A core issue is to improve data collection, cooperation and enforcement in the new context without over-burdening SMEs and public administration.

B) Cost of Non-Europe

According to a recent study on the 'VAT gap' in 26 Member States, an estimated €177 billion in revenues was lost due to non-compliance or non-collection in 2012⁴². The VAT gap is the difference between the expected VAT revenue and the VAT actually collected by national authorities. The VAT gap is not only due to fraud but also results, inter alia, from bankruptcies and insolvencies, statistical errors, delayed payments and legal avoidance.

Given the extensive shortfall in VAT receipts, a benefit of at least €9 billion per year could be anticipated from action at EU level in this field, notably by the introduction of a standardised European invoice and/or an EU-coordinated or simplified cross-border taxation system. According to a recent study by PWC for the Commission, a stronger and better-coordinated EU VAT returns policy could result in additional VAT returns of between €9 billion and €20 billion per year, depending on the level of harmonisation⁴³ with an average of €14.5 billion per year after phasing. Administrative costs for SMEs have to be factored in⁴⁴.

C) State of play at the beginning of the 8th Legislature: early legislative phase

In December 2012, the Commission adopted *an Action Plan to strengthen the fight against tax fraud and tax evasion*. In June 2013, the Commission adopted a proposal for a Directive amending Directive on mandatory automatic exchange of information in the field of taxation. The file was adopted in plenary in December 2013. The *administrative cooperation directive* is listed as a priority file for 2014.

With regard to fight against wider tax fraud, tax evasion and tax havens, the Parliament asked for and then adopted a revision of the Savings Tax Directive (2014). Parliament also called for and adopted a review of the Parent/Subsidiary Directive (2014). But the revision of the Interests

⁴² A follow-up to the report by CBP Netherland and CPB "Study to quantify and analyse VAT Gap in the EU-27 Member States", published in October 2014.

⁴³ PWC, Study on the *Feasibility and impact of a common EU standard VAT return*, undertaken for the European Commission, February 2013.

⁴⁴ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.39.](#)

and Royalties Directive (2003/49/EC), also demanded by Parliament, is currently blocked in Council. An overall review of categories of income and capital gains has been requested by Parliament.

D) Future steps forward.

The EP has already asked that the Commission submit, before 1 July 2017, to the EP and Council a report with an overview of administrative cooperation and other relevant costs/benefits of the automatic exchange of information. With regard to VAT Parliament has called on the Commission to develop a coordinated strategy against fiscal fraud, to come up with a legislative proposal on cross-border taxation and to present a legislative proposal for a standard European invoice.

A) Issues at stake

As recently stated in the European Council's Strategic Agenda of July 2014, 'the cheapest and the cleanest energy is that which is not consumed'. This is even more true in the European context, where consumer behaviour is only part of the problem. Old buildings and old infrastructures, many of them publicly financed, are reasons for serious waste of energy. Significant energy efficiency in buildings could save 32% of primary energy consumption in Europe according to a 2013 study of the European Commission. Of course, energy efficiency gains also bring down total energy costs for households and companies. The Commission promises a long-term net benefit of 500 billion per year by 2050, if the energy efficiency targets it has set were to be achieved. The success in the field of energy efficiency also increases the global potential of the relevant industries providing the techniques, the global visibility of research and the global legitimacy of the EU as climate policy actor. The main issue is the large investments needed in relatively short periods in buildings and infrastructures at a time of scarce resources. Companies also may be reluctant to proceed with the required investments in the short term, as those investments will immediately impact their costs, retail prices and competitiveness. This is the reason why the incentive system for such a decisive transition is difficult to get right.

B) Cost of Non-Europe

According to a European Commission study, greater overall energy efficiency could cut the EU's energy bill by about €200 billion per year⁴⁵. One of the methodological issues is that direct costs and diverse opportunity costs for public authorities, households and companies are more difficult to factor in than the final benefits (which are usually based on present energy prices).

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

The objective of the 2006 Commission's Action Plan for Energy Efficiency was to save 20% of the consumption of primary annual energy by 2020. The Action Plan envisaged actions both on the supply and demand side (buildings, products, appliances, cars). The mix was to be delivered by a combination of legislation and coordination between Member States. In reaction to early estimates suggesting that the EU is on course to achieving only half of the 20% objective and after repeated demands of the Parliament, the Commission launched a new Energy Efficiency Plan which resulted in a new Energy Efficiency Directive entered into force in December 2012. It requires Member States to establish national energy efficiency targets on which they have to report. Central governments will also have to renovate 3% their buildings each year from 2014. They have also to assess and notify the potential of high-efficiency cogeneration. Large companies have to submit themselves to regular energy audits. Meanwhile a target of 85% of

⁴⁵ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.35.](#)

energy efficiency gains (compared to 1990 levels) has been set up for 2050. (EP initially asked for more 80 to 95% energy efficiency gains).

D) Potential steps forward

The Parliament, which has supported the process leading the Energy Efficiency Directive, will scrutinise Commission and national government delivery on targets set for 2020 and for 2050, and will have to assess if the current framework is adequate to deliver on objectives and targets. The purpose remains the establishment of an ambitious, multi-faceted, coherent and stable legal framework, with binding objectives.

A resilient Energy Union with a forward-looking climate change policy

Coordinated renewable investments and integration into networks

€22.5 bn

A) Issues at stake

The increase of the share of renewable energy sources has an obvious impact on emission targets and dependency. At the same time, it helps new sectors in the energy industry but also in agriculture (biofuels) to emerge. Nonetheless many renewable energy solutions remain of mostly local relevance, as the connection to wider energy grids remains problematic. The sector moreover heavily relies on subsidies, with private investments being difficult to mobilise. National efforts have proven less decisive and less continued than initially expected at EU level. As a result, many advocate for a more 'coordinated investment scenario' deriving the best out of decentralised and micro-generation technologies, smart grids and existing cooperation agreements. Such a new scenario could make more extensive use of cross-border tendering, public-private partnerships and even quota obligations in a context where subsidies to fossil fuels would be phased-out and better designed energy incentives be introduced.

B) Cost of Non-Europe

Sustainable potential benefits in economic, social and environmental terms can be achieved through continuous and stable commitments and policy frameworks. Increased interconnection would increase Member States' ability to draw on their EU neighbours' energy supplies in emergencies, and would also make it easier for Member States to compensate for supply/demand imbalances caused by renewables. Gains of €6-30 billion may still be achieved in the period 2015-2030, under a new coordinated renewable investment scenario with an average of €23 billion per year⁴⁶.

C) State of play at the beginning of the 8th Legislature: early legislative phase

As soon as 2007, the Commission proposed a mandatory target of generating 20% of EU energy consumption from renewable energy sources by 2020 as well as a mandatory target for biofuels of 10% of total transport fuel consumption. Heads of States and governments endorsed the Plan the same year. The Renewable Energy Directive (2009) set nationally binding sub-targets for achieving a 20% share of renewable energy. But the transposition of the Directive has been slower than wished. Current policies are not considered sufficient to meet the targets set. Two Member States (Poland and Cyprus) are under infringement procedures for non-transposition. Beyond the issue of transposition, the Commission pointed out that there are a large number of grid related barriers and administrative obstacles. It stressed the inefficiency and even the disruption of many national support schemes due to budget scarcity. The Commission proposed to drop nationally binding sub-targets and bio-fuel targets after 2020, while keeping a 27% of renewable for the EU as a whole by 2030, while Parliament asked for 40%.

⁴⁶ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.35.](#)

D) Potential steps forward

The Commission announced for 2014 an overhaul of the subsidies which Member States are allowed to offer to renewable energy sector with the view to limit them to the less mature technologies and to make the whole sector more market-driven. Analysing the short-comings of the Renewable policy, the European Parliament has called for a system of EU-wide incentives for renewable sources to be set-up in the long run, for fairer access of renewables to grid infrastructures (inter alia through smart grids) and for more ambitious target still to be achieved by strict binding national targets. The Parliament has also invited the Commission to propose a legal framework for 'renewable heating and cooling' and to make proposal for a core market comprising those Member States favourable to the integration of renewables who wish to cooperate rapidly in the common production, distribution and use of electricity derived from them. The incentives for second generation, more sustainable biofuels also has to be addressed.

A resilient Energy Union with a forward-looking climate change policy

Integrated energy market in gas and electricity

€12.5 bn

A) Issues at stake

Already in 2003, the 2nd Gas and Electricity Package enabled suppliers to freely enter any national market. This principle was completed by the 3rd energy package, which entered into force in March 2011, focusing on unbundling, better regulatory oversight and consumer protection. Despite these efforts, the promise of a fully integrated market for gas and electricity due in 2014 still appears as remote target. This "isolation" of a part of the Single Market because of infrastructure problems, in particular poor transmission mechanisms, or unequal access to storage is not the only reason for continued fragmentation. Even between well connected markets prices happen to remain "uncompetitive" and "non-transparent". Even when there is not any technical barrier access to the cheapest suppliers is not always straightforward for consumers to reap the benefits because of local contractual practices, language, payment and technical connection. The lack of completion of the Single Market in gas and electricity prevents producers from achieving a better generation adequacy and optimise investments. The lack of completion also increases costs for households, SMEs and energy intensive industries.

B) Cost of Non-Europe

On the consumer side alone, according to figures cited by the Parliament's Cost of Non-Europe Report on integrated energy markets in Europe, EU consumers could save about €13 billion in total if they were actually able to switch to the cheapest electricity tariff they could find. A total of €15 billion could be saved if uncompetitive price differentials between Member States were addressed. The cost of delaying the full implementation of a Single Market in gas could reach €8 billion. The minimal gain estimate put forward by the Parliament's studies at this stage is €12.5 billion per year, after phasing-in⁴⁷.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The third energy package which entered into force in March 2011 has not yet been transposed and fully implemented in several Member States. Following on communication of the Commission on how to make the internal energy market work, the Parliament did not request new legislative proposals but better enforcement and impact assessment, making the Action Plan to achieve the Single market in energy a key file for scrutiny on the Commission who has promised to pursue infringement procedures with the enforcement of competition rules as a priority. Effective enforcement is decisive when it comes to consumer's rights to change suppliers and to have an efficient treatment of complains. It is also decisive to guarantee that all

⁴⁷ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.35](#); [M. Del Monte, The Cost of Non-Europe in the Single Market for Energy, European Parliament, EAVA, June 2013](#).

new entrants have fair access to existing grid and that market practices remain transparent, especially in the complex wholesale market. Effective enforcement includes penalties.

D) Potential steps forward

The European Council called in 2013 for a detailed analysis of composition and drivers of energy prices and costs in Member States in the current stage of achievement of the energy market, worrying about their effect on the global competitiveness of the European economies. New initiatives may follow. When it adopted the Third Energy Package, the EP already envisaged that the mandate for regulators at European level (ACER, ENTSO) could be reconsidered if their competences proved to be insufficient to create a more integrated energy market.

A) Issues at stakes

When the regulated price for gas or electricity fixed at national level happens to be fixed below the total retail cost, a tariff deficit occurs. At the same time, the fixed price makes impossible or very difficult for new entrants to develop an economically sustainable offer. Suppliers constrained by regulated prices often have to rely on specific business models or energy mix in which profitable activities and cheap input compensate for sales at the regulated prices. Some consumers in return complain about the lack of flexibility of regulated prices in a period when gas prices for instance are low. They sometimes regret the lack of transparency about the criteria for fixing the regulated price. At sectorial level, regulated prices are often seen as responsible for artificially maintaining low-performing oligopolies unable to invest at the level required. As a result, the apparently lower regulated price may mean at the end higher prices and limited offer for the consumer. As part as of the efforts towards a more competitive and more open Single Market of Energy, there is no surprise that the issue of regulated prices have come as a regular topic for debate.

B) Cost of Non-Europe

According to figures quoted by the Parliament's Cost of Non-Europe Report on the integrated energy markets in Europe, the "tariff deficit" is far from being marginal, reducing investment capacities of producers, wholesalers and transporters of energy. In countries like Spain or Poland, with approximately 15 million domestic consumers with an average annual consumption of 3000 kWh (80% of which supplied at the regulated tariff), the total tariff deficit would be around €720 million per year. This could mean a €9.5 billion⁴⁸ loss each year as a result of the EU's inability to phase-out regulated prices or at least align them with economic realities, bringing them closer to total retail prices.

C) State of play

In 2012, the Commission presented a Communication entitled 'Making the Internal Energy Market Work'. The Communication focuses on consumers and the need to bring regulated electricity and gas prices to an end for all consumers, while paying a specific attention to vulnerable consumers, in line with explicit and repeated Parliament's demand on that point. The Commission wishes to accompany the phasing out of regulated prices with measures ensuring that all consumers are provided with adequate price comparison tools, transparent pricing and billing, and even smart meters, so that they can derive the best out of a much more competitive market. At this stage, no specific legislative proposal has been tabled.

⁴⁸ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.34.](#)

D) Potential steps forward

The European Council called in 2013 for a detailed analysis of composition and drivers of energy prices and costs in Member States. In July 2014, the European Council made an "affordable energy for companies and citizens" a the first priority of the future Energy Union and intends to have such a result achieved - inter alia -by completing the internal energy market, by increasing transparency on the gas market and by stimulating research and investments. It is to be seen if this guideline is paving the way to new legislative initiative at EU level to abolish or at least revisit regulated prices.

A) Issues at stake

The issue of smart grids concerns both demand and supply sides. On the demand side, the roll out of smart meters is to allow better consumer information and self-adjustment to the most adequate offer and the most energy efficient behaviors. With adequate systems of information, customers could also adjust their consumption in peak periods when expensive sources or facilities have to be used to complement the normal supply. On the supply side, the modernization of energy grids - mostly electricity grids at this stage - should allow new entrants - small or big, with renewables or traditional energy sources - to plug in and offer their production. This has been one of the core reasons for the European emphasis on unbundling.

B) Cost of Non-Europe

The Commission estimates that the one-time investment in a smart metering system averages between €200 and €250 per customer, while delivering annual benefits per metering point of €160 for gas and €309 for electricity along with, on average, 3% energy savings⁴⁹. Booz & Company estimated gains in the order of €4 billion per year, coming from using smart grids, to facilitate a demand-side response at consumer level⁵⁰.

C) State of play at the beginning of the 8th Legislature: advanced legislative phase

Member States are required to ensure the implementation of smart metering under the EU energy market legislation contained in the Third Energy Package which entered into force in March 2011. To date, Member States have committed to rolling out close to 200 million smart meters for electricity and 45 million for gas by 2020 at a total potential investment of €45 billion. By 2020, it is expected that almost 72% of European consumers will have a smart meter for electricity while 40% will have one for gas. But the successful roll-out of smart meters across the EU is dependent on criteria largely decided by Member States. This includes regulatory arrangements, and the extent to which the systems to be deployed will be technically and commercially interoperable, as well as guarantee data privacy and security. Improving access for all producers to the grid is not only a technical issue to be discussed by the European Network of Transmission Systems Operators in cooperation with the Agency for the Cooperation of Energy Regulators (ACER) who, together, are to issue detailed network access rules. It is also an issue of fair business practices. Guaranteeing fair trading practices at wholesale level is one of the objectives of the Regulation on Wholesale Energy Market Integrity and Transparency (2011). The

⁴⁹ European Commission, [COM\(2014\)0356, Benchmarking smart metering deployment in the EU-27](#).

⁵⁰ Booz and Company, *Study on the benefits of an integrated European energy market*, 2013 quoted by [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, footnote 60, p.35](#).

regulation entrust the ACER to monitor and regulate business practices at that level, while keeping the responsibility to apply sanctions in the hands of Member States at this stage.

D) Potential steps forward

The Commission is likely to address again the potential of smart grids in the context of an announced initiative on retail markets of energy due in 2014. It may also do so when reviewing national achievements in the field of smart meter roll-out. Smart grids may also be debated when European authorities will have to endorse the next ENSTO/ACER plans. They have now to be presented in a more transparent fashion as a result of Parliament's demands for adopting the *Guidelines for trans-European energy infrastructure* (2012).

A resilient Energy Union with a forward-looking climate change policy

Hubs and exchanges, market coupling and balancing for gas and electricity markets

€3.5 bn

A) Issues at stake

A major factor of the incompleteness of a Single Energy Market lies in technical bottlenecks in production and transport, partly due to inadequacies of infrastructures. Private investors are reluctant to finance costly long term projects which need decades to be amortised. Private public partnerships are sometimes difficult to establish in a period of budget scarcity. The Energy Council of June 2011 estimated that about €200 billion investments in energy infrastructures would be needed by 2020 to address the blind spots. Current business practices, lack of cooperative strategies or mere lack of information between different actors also contribute to a poor exploitation of existing capacities and to delays in investment decisions. The Russian-Ukrainian crises also highlight the need for a more ambitious policy concerning the security of supply in energy, in particular gas and oil.

B) Cost of Non-Europe

On the supply side of the electricity market alone, a recent study commissioned by the Commission estimates the untapped benefit of better generation adequacy to be achieved by better cooperation or a more efficient market to be €7.5 billion a year, and the untapped benefit of sharing balancing reserves between producers to be €0.5 billion. Economies of scale can also be tapped in the gas market, including by the long demanded fair access to storage capacities for all producers and wholesalers. The minimum gain for electricity and gas sector could be considered close to €3.5 billion per year, bearing in mind that the complexity of the necessary action means in this field that its full potential gain can only be realised in the long term and that around half of that gain should be achievable in the coming years⁵¹. The cost/benefit of the €9 billion European investment in infrastructures planned in the context of the Connecting Europe Facility has still to be assessed. The lack of energy security supply arrangements at European level (beyond three months) must be addressed.

C) State of play

The Connecting Europe Facility was launched in 2011 with €9 billion earmark for trans-European energy infrastructure projects. In order for private sector investors to gain visibility about the plan, the Commission issued Guidelines for trans-European energy infrastructure. Approved by Parliament and Council in 2013, the plan identifies 12 priority corridors and areas and provides new measures to speed up permit granting and regulatory procedures. Parliament called for particular attention to energy storage facilities, the stability of electricity networks and the need to include the renewable energy sources in the plan. It supported a more transparent elaboration of the plans and wished to protect the consumers from bearing a disproportionate burden of the

⁵¹ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.34.](#)

cost of common projects. Compulsory measures taken in 2009-2010 for the security of oil and gas supply taken as a result of the Russian-Ukrainian crisis of 2008 are now in the implementation phase and their relevance in a crisis longer than 2 or 3 months is being discussed.

D) Potential steps forward

The list of projects of common interest will have to be revised in 2015, as well as the real impact of the Guidelines for trans-European energy infrastructure on private investment and more cooperative business practices.

A reasonable and balanced Free Trade Agreement with the United States

€29.2 bn

Non-tariff barrier reduction in goods

A) Issues at stake

Differing non-tariff barriers (NTBs), on both sides of the Atlantic, often in the form of domestic regulations of various kinds, constitute major impediments to transatlantic trade and investment flows, which are the largest of their type in the world. The effect of NTBs is to either increase the cost of doing business or to restrict market access. While it is impossible and undesirable simply to remove all such provisions, since they often serve important and legitimate domestic objectives, such as product safety and environmental protection, these costs may be reduced through (partial) convergence and mutual recognition, where possible. The European Parliament has emphasised throughout the sensitivity of certain fields in this negotiation, such as goods in the agricultural sector, where perceptions of, and standards for, Genetically Modified Organisms (GMOs), cloning and consumer health often diverge between the US and EU.

B) Cost of Non-Europe

The reduction of NTBs is potentially the single most important liberalising measure in this field and it is particularly significant in goods. The EU-US value of trade in goods is twice the value of trade in services and NTBs are perceived by businesses as roughly 2.5 times higher in goods than services. This means that, for comparable cuts in barriers in per cent terms (combined with the absolute importance in goods trade relative to services), greater impacts are to be expected from NTB reductions in goods than in services. The level of NTBs also varies between sectors and, for instance, the highest NTBs persist for food and beverage products.

About 60% of the price impact of NTBs could be classified as following from cost increases for firms, while the restriction of market access is estimated to be responsible for the other 40% of price increases. These NTB-related cost increases constitute a welfare loss to society and could be countered by an agreement.

The gains accrued for imports from the US benefiting from a non-tariff barrier reduction of 10% in goods (as assumed under a cautious scenario) would be responsible for more than half of the total increase in bilateral trade and would represent gains of about €29.2 billion per year for the EU⁵².

C) State of play at the beginning of the 8th Legislature: early legislative phase

In a resolution of May 2013, the European Parliament reiterated its support for a deep and comprehensive trade and investment agreement with the US, endorsing the European Commission in starting negotiations to that end. The mandate for the negotiations, adopted by the European Council in June 2013 and made public in October 2014, stated that the agreement

⁵² European Commission Impact Assessment, cited in [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.31.](#)

should be ambitious, comprehensive, balanced, and fully consistent with, but going beyond, World Trade Organisation (WTO) rules and obligations. It should include regulatory convergence, which is the preferred way to tackle NTBs.

Negotiations started in July 2013, and so far, seven rounds have taken place, the latest between 29 September and 3 October 2014. Negotiations are being conducted in three 'pillars', the second of which (Pillar II) covers regulatory issues and NTBs. Technical barriers to trade in goods have been discussed during the first rounds of negotiations, on the basis of EU and US respective texts, in relation to standardisation, transparency, conformity assessment in specific sectors, such as, for instance, the car industry. The question of the general approach on these issues - sectorial or horizontal - is central and is pending agreement.

D) Potential steps forward

The next negotiation round is scheduled to take place in January 2015. The mandate does not include a target date for the completion of the agreement. The conclusion of the TTIP agreement will be subject to the consent of Parliament, as stipulated by the Treaty on the Functioning of the European Union.

A reasonable and balanced Free Trade Agreement with the United States

€25.4 bn

Tariff Liberalisation

A) Issues at stake

Together, the European Union and the United States economies account for roughly half of world output and world trade. They are each other's most important investment partners as well. Although tariffs applied by the USA and the EU are, in average, already relatively low (3.5% and 5.3% respectively), some "tariff peaks" and tariff quotas remain on both sides, especially in the agriculture sector, and also on certain industrial products. For instance, the US applies high customs duties, in some cases even up to 40%, on some textile and leather products, ceramics and glassware. The reduction of these barriers could benefit both the EU and the US.

Tariff reductions will be insufficient on their own to secure reciprocal economic gains. Tariff reductions alone would, for instance, harm the EU motor vehicle sector, causing a fall in output, whereas, if combined with NTB reductions, the sector can be expected to expand.

B) Cost of Non-Europe

Lowering of tariffs naturally implies loss of tariff revenues, which should be compensated by gains which are expected to come both from an increase in overall trade flows between the EU and US, as well as from a reduction in prices for consumers. There will also be impacts in terms of trade diversification, in all sectors with the exception of agriculture, fisheries and electrical machinery. At the same time, trade flows in electrical machinery, motor vehicles and metals are expected to increase significantly. It is estimated that, under a comprehensive, reasonable and balanced agreement, a general tariff liberalisation of 98% could increase EU GDP by €25.4 billion per year⁵³.

C) State of play at the beginning of the 8th Legislature: early legislative phase

In the negotiations which began in July 2013, the first pillar concerns market access, including tariff liberalisation. Since the exchange of tariff offers in February 2014, this issue has not been discussed. The EU has indicated that it awaits a more ambitious offer from the US side.

D) Potential steps forward

The next negotiation round is scheduled to take place in January 2015.

⁵³ European Commission Impact Assessment, cited in [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.31.](#)

A reasonable and balanced Free Trade Agreement with the United States	€8 bn
Impact on Trade with third countries (Direct spill-over effects)	

A) Issues at stake

The magnitude of the trade relationship between the EU and the US suggests that a Free Trade Agreement which would reduce obstacles and costs to trade between the two could also have significant positive impacts on worldwide trade and incomes. If the EU and the US streamline their regulatory procedures, this will be subject to the Most Favoured Nation treatment (MFN) under the WTO and, as such, make it easier for firms from other countries to export to the US and the EU. This would have a positive impact on trade - and incidentally benefit the EU and US economies - because the cooperation on regulatory issues would automatically improve trade possibilities for third countries.

B) Cost of Non-Europe

The bilateral streamlining of regulations and standards, and the reduction in regulatory burdens, would benefit other trading partners for EU and US. These direct spill-over effects from positive market access are expected to be around 20% of the bilateral fall in trade costs related to NTBs (the mid-point between the lowest and highest estimates). In other words, if there is 5% NTB-related trade cost reduction between the EU and US, there will also be a 1% trade cost reduction for third countries exporting to the EU and US. This would result in gains of about €8 billion per year for the EU⁵⁴. The gains will stem from a reduction in the costs of exporting to third countries, as a result of the direct spill-overs, which should lead in turn to increased trade beyond the transatlantic market.

In terms of benefits, the spill-over effects are greater for US than EU, due to differences in the relative importance of trade with third countries, notably China and Canada. With the exception of electrical machinery, trade would increase across all sectors for the EU, particularly for chemicals, motor vehicles and metals. Increased trade in, for example, motor vehicles would also increase the output of the sector.

C) State of play at the beginning of the 8th Legislature: early legislative phase

Pillar III of the negotiations covers globally-relevant rules, with a view to strengthening rules-based multilateralism, and includes *inter alia* cooperation in customs, competition policy and transparency.

D) Potential steps forward

The next negotiation round is scheduled to take place in January 2015.

⁵⁴ European Commission Impact Assessment, cited in [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.31.](#)

A reasonable and balanced Free Trade Agreement with the United States

€3.5 bn

Non-tariff barrier reduction in services

A) Issues at stake

As stated elsewhere, the process of removing NTBs is much more complex than the simple reduction of tariffs. There are many different sources of NTB and removing them may require complex legislative changes on both sides. It would nonetheless be an essential part of transatlantic liberalisation, and the TTIP will seek to remove as many unnecessary barriers as possible, in much the same way as the EU Single Market has facilitated trade in services, by removing unnecessary differences in regulations and requirements.

While reducing NTBs would have the largest economic impact on trade in goods, nevertheless, as both the EU and the US are relatively open in services – at least by global standards – the liberalisation of the services sectors is estimated to have a positive impact on trade, notably by increasing trade in finance and insurance services.

B) Cost of Non-Europe

A limited agreement, with only the liberalisation of services and public procurement, would bring the lowest gains (1%) of all possible negotiation outcomes. This shows the extent to which benefits depend on a combination of lowering tariffs and removing non-tariff measures. A non-tariff barrier reduction of 10% in services would lead to a GDP increase of some €3.5 billion per year for the EU. Bilateral NTB reduction matters greatly in stimulating trade and generating reciprocal gains in financial services. An important part of the benefits quantified under this heading will stem from reducing barriers in public procurement⁵⁵, which has a potential benefit of the same magnitude as the spill-over effects.

C) State of play at the beginning of the 8th Legislature: early legislative phase

In the seven rounds of the EU-US negotiations that have taken place thus far – the latest of which took place between 29 September and 3 October 2014, the parties have examined each other's initial offers in the sectors covered, including, in particular, environment, distribution, postal services, business services, health, education, energy and transport. Discussions have also continued on e-commerce, notably on the scope of the chapter, possibilities for cooperation, customs duties, "digital products", e-signature, online consumer protection, paperless trading and access to and use of the internet. These discussions on services have focussed on market access. No discussions on the key issue of NTBs in services have been held so far.

D) Potential steps forward

The next round of negotiations is scheduled to take place in January 2015.

⁵⁵ European Commission Impact Assessment, cited in [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-2019, European Parliament, EPRS, July 2014, p.31.](#)

A reasonable and balanced Free Trade Agreement with the United States

Impact on global regulatory convergence (Indirect spill-over effects)

€2.2 bn

A) Issues at stake

TTIP would be likely to produce a set of indirect spill-overs. Given that, collectively, the EU and the US would stand as the world's biggest trading bloc, there is a strong possibility that third countries would intentionally adopt the regulatory standards of the EU and US to secure market access. This also implies that the bilateral agreement would give EU and the US firms improved market opportunities in third countries. In addition, there would be scope for reductions in NTBs between third countries, as they converge further on common standards. Therefore, indirect spill-overs should lead to lower costs and generate additional trade flows between third countries.

B) Cost of Non-Europe

The indirect spill-over effects are estimated to be equivalent of half the amount of the direct spill-overs, i.e. 10% of the original savings and gains from the reduction in NTBs. The gains would stem from a reduction in the costs of exporting to third countries, which would eventually lead to increased trade beyond the transatlantic market. Indirect spill-overs matter most in the transport sector, due to the expected expansion of global trade volumes. Altogether, indirect spill-over effects would result in gains of about €2.2 billion per year for the EU⁵⁶.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The negotiations under Pillar III of the negotiations on globally-relevant rules, particularly transparency, and the transparency of the process itself, will be followed closely. TTIP has thus attracted much attention from third countries who expect the negotiations to be as transparent as possible, and the new rules bilaterally agreed to be pragmatic and easy to implement. This is for instance the case with the widely debated investor-to-state dispute settlement mechanism inspired by existing practice in the investment agreement with Canada.

D) Potential steps forward

The negotiations are on-going. The next negotiation round is planned to take place as originally planned in January 2015.

⁵⁶ European Commission Impact Assessment, cited in [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-2019, European Parliament, EPRS, July 2014, p.31.](#)

A) Issues at stake

Today, armed forces in Europe are organised on a strictly national basis, resulting in 28 different military structures with their own procedures and equipment. Costs arise from the lack of a truly integrated defence procurement market, which is currently partially exempted from the Single Market. More coordination of military structures in Europe could increase the efficiency and the effectiveness of Europe's security and defence policies and could lead to savings on national security and defence budgets.

B) Cost of Non-Europe

Closer cooperation in the area of security and defence policy could lead to an efficiency gain of at least €26.4 billion per year⁵⁷, as set out in detail in the Parliament's Cost of Non-Europe Report on European common security and defence policy⁵⁸.

C) State of play at the beginning of the 8th Legislature: early legislative phase

Prior to the European Council on the EU Common Security and Defence Policy (CSDP) in December 2013, the Parliament adopted two resolutions on CSDP and the European defence technological and industrial base. The European Council concurred on the need to strengthen CSDP and called *inter alia* for the following actions in this field:

- enhancing the development of Europe's defence capabilities to meet future civilian and military demands;
- developing a more integrated, sustainable, innovative and competitive European defence technological and industrial base;
- putting in place a roadmap for the development of defence industrial standards;
- developing measures to open the European defence and security markets;
- greater access for SMEs to defence and security markets;
- a roadmap for a comprehensive EU-wide security of supply regime;
- the development of Remotely Piloted Aircraft Systems (RPAS) and air-to-air refuelling capacity;
- preparations for the next generation of Governmental Satellite communication;
- the development of a roadmap to implement the EU Cyber security Strategy and to protect assets in EU missions and operations.

D) Potential steps forward

Potential steps forward are still expected of further cooperation and harmonisation of the CSDP. The Council's conclusions of 2013 were largely congruent with the Parliament's resolution, but Parliament was more ambitious and called *inter alia* for:

⁵⁷ European Added Value Unit, *Mapping the Cost of Non-Europe, 2014-19*, European Parliament, EPRS, July 2014, p.28.

⁵⁸ B. Ballester, *Cost of Non-Europe in European Common Security and Defence Policy*, European Parliament, EPRS, European Added Value Unit, January 2013.

- a white paper on the EU security and defence policy which would include a plan of action to increase the effectiveness, visibility and impact of the CSDP;
- the implementation of flagship projects on air-to-air refuelling, satellite communication, remotely piloted aircraft systems, cyber-defence and the Single European Sky;
- the establishment of permanent military operational CSDP headquarters;
- the banning of the development, production and use of fully autonomous weapons;
- the improvement of the transparency and openness of the defence markets;
- the development of a policy supporting the development of multiple-use space assets.

A) Issues at stake

Efficient provision of development aid by the European Union and its Member States is undermined by the less than optimal coordination of three overlapping instruments: i) the Commission's supranational development policy; ii) the intergovernmental European Development Fund (EDF), which the Commission coordinates on behalf of the Member States; and iii) the individual development policies of Member States. This lack of coordination leads to widespread fragmentation and duplication of aid activities, competition between EU agencies and NGOs, and a multiplicity of varied procedures often considered cumbersome and bureaucratic by recipient countries. This translates into increased transaction costs.

B) Cost of Non-Europe

It is estimated that as much as €800 million (around 1.4% of total development aid provided by the EU and Member States) could be saved annually by improving donor coordination, thus reducing donor transaction costs. Key elements that contribute to the reduction of such costs are the optimisation of division of labour (by concentrating aid on fewer countries and well-designed activities) and the shifting of aid patterns from projects to budget support (entailing lower administrative costs)^{59 60}.

C) State of play at the beginning of the 8th Legislature: early legislative phase

The European Commission has so far proposed several steps forward as a follow-up to the EP resolution, mainly including further work on joint programming and soft measures to promote information and exchange of best practices between Member States, but no legally-based approach to improve coordination.

D) Potential steps forward

The European Parliament has repeatedly called on the EU and its Member States to honour their international commitments under the Agenda for Effective Development Cooperation, the main obstacles to which are lack of political will, bureaucracy and high transaction costs. In the most recent resolution on the subject, adopted in December 2013, the Parliament called on the EU and its Member States to fully exploit the legal provisions of the TFEU on development that call for complementarity between the EU and its Member States in development cooperation. The Parliament has requested a proposal for a legal act concerning the regulatory aspects of EU donor coordination in development aid, following the adoption and implementation of a road-map of preparatory action, to cover joint programming and division of labour at country level.

⁵⁹ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.50.](#)

⁶⁰ [M. Nogaj, The Cost of Non-Europe in Development Policy: Improving coordination between EU donors, European Parliament EPRS \(European Added Value Unit\), September 2013.](#)

An area of justice and fundamental rights based on mutual trust

€7 bn

Combatting violence against women

A) Issues at stake

The most recent Europe-wide figures on violence against women⁶¹ indicate that 33% of women have experienced physical and/or sexual violence at some time since the age of 15. Over and above the adverse and onerous consequences for female victims, violence against women brings with it significant costs for the whole society affecting public well-being, health and safety, productivity, law enforcement and public budgets. Despite undeniable progress, the current legal EU framework for combatting violence against women presents important weaknesses: national legislations of the 28 EU Member States offer unequal protection of women against all forms of violence; the international and regional instruments on combatting violence against women often lack effectiveness in national legal orders; the measures adopted at EU level present important lacunae, notably in terms of prevention.

B) Cost of Non-Europe

A study commissioned by Parliament⁶² estimated that the annual cost to the EU-28 of gender-based violence against women amounts to €69 billion per year, or 0.5% of EU GDP, of which €45 billion a year in costs to public and state services and €24 billion in terms of lost economic output. The figures were calculated by identifying the impacts of violence against women (estimating their size and costs); attributing these costs to different stakeholders; and then scaling up from Member State to EU level. They are based on an extrapolation to the EU as a whole of figures for the United Kingdom published by the Department of Trade and Industry (DTI) in 2004.⁶³ It is considered that a Directive on combatting violence against women could reduce violence by up to 10%, thus reducing the direct economic costs of violence against women by €7 billion per year.

C) State of play at the beginning of the 8th Legislature: early legislative phase

Parliament has repeatedly called on the Commission to propose a specific and comprehensive legal instrument to combat violence against women⁶⁴. In June 2013, the so called-‘Victim's Package’, adopted in June 2013, was considered by Parliament as insufficient to comprehensively deal with the problem. Parliament had thus called⁶⁵ by the end of 2014, on the basis of Article 84 TFEU, for an act establishing measures to promote and support the action of Member States in the field of prevention of violence against women and girls (VAWG). EP also requires a revised proposal for a Regulation on European statistics that would target violent crimes and include a

⁶¹ EU Fundamental Rights Agency, *Violence against Women - an EU-wide survey*, March 2014, <http://fra.europa.eu/en/press-release/2014/violence-against-women-every-day-and-everywhere>

⁶² M. Nogaj, *Combatting Violence Against Women*, European Parliament, EAVA study, November 2013.

⁶³ S. Walby, *The Cost of Domestic Violence*, Lancaster University 2009.

⁶⁴ For example, in the Bastos report on the DAPHNE programme: achievements and future prospects (2011/2273(INI)) and the Svensson report on priorities and outline of a new EU policy framework to fight violence against women (2010/2209(INI)).

⁶⁵ EP resolution of 25 February 2014 on *Combating Violence Against Women* [2013/2004\(INI\)](#).

coherent system for collecting statistics on gender-based violence in the Member States. Other, non-legislative measures called for by the EP include the activation by the EU Council of the passerelle clause, by adopting a unanimous decision to include gender-based violence as an area of crime listed under Article 83(1) TFEU; the launching of the procedure for the accession of the EU to the Istanbul Convention and the adoption of an EU-wide Strategy and Action Plan to combat violence against women.

D) Potential steps forward

The Commission has not yet proposed any specific legislative measures.

An area of justice and fundamental rights based on mutual trust

Improved cooperation on the European Arrest Warrant

€0.04 bn

A) Issues at stake

The European Arrest Warrant (EAW) is generally recognised as a successful instrument, which, based on mutual recognition, ensures that criminals are brought to justice. Its practical implementation, however, has been subject to certain criticisms since its introduction. The mutual recognition principle has been called into question, namely due to imperfections in relation to aspects such as the procedural rights of suspected and accused persons, detention conditions, alleged over-use of EAWs by some Member States and unequal application of the proportionality test.

Shortcomings can be identified in two areas, first arising from the Framework Decision or the EAW mechanism itself. Here, issues such as the absence of an explicit ground for refusal based on infringement or risk of infringement of fundamental rights, the silence on legal remedies, difficulties relating to multiple requests or the absence of precision regarding the transmission of a translated EAW can be listed. The second area concerns problems arising from the incompleteness and/or imbalances of the EU Area of Criminal Justice. Key issues here are i.a. the issuance of EAWs in cases which are not trial-ready, the disproportionate use of EAWs, the absence of a compensation mechanism at EU level in the event of unjustified damage resulting from EAW proceedings, the over-use of detention or, last but not least, a poor defence system in cross-border cases.

B) Cost of Non-Europe

The afore-mentioned weaknesses of the EAW can not only undermine the credibility of the process, but are also costly for both the individuals concerned and for national authorities. The Commission's 2011 implementation report stated that between 2005 and 2009 almost three-quarters (43,059) of incoming EAWs were not executed. The Parliament has recently assessed these costs⁶⁶ to be around €215 million during the period between 2005 and 2009, or approximately €43 million per year⁶⁷, based on a unit cost of enforcing an EAW of approximately €20,000. A recent Commission evaluation⁶⁸ estimates that a month of pre-trial detention in Europe costs around €3 000. If correctly implemented, some of the recommendations included in the recently-adopted EP resolution on the review of the European Arrest Warrant could reduce pre-trial detention cases.

⁶⁶ *The European Added Value of Revising the European Arrest Warrant*, PE 510.979, March 2014

⁶⁷ [European Added Value Unit, Mapping the Cost of Non-Europe, 2014-19, European Parliament, EPRS, July 2014, p.20.](#)

⁶⁸ European Commission, *Impact Assessment Accompanying the Proposal for Measures on Legal Aid for Suspects or Accused Persons in Criminal Proceedings*, SWD(2013)476 final, November 2013.

C) State of play at the beginning of the 8th Legislature: early legislative phase

In its resolution of 27 February 2014 (2013/2109(INL)), the Parliament had called on the Commission to table, within a year, legislative proposals on the review of the European Arrest Warrant on the basis of Article 82 TFEU following the detailed recommendations set out in the Annex I of its resolution. Furthermore, Parliament called for a legislative proposal revising the Schengen Information System II, a legislative proposal providing for legal mechanisms to compensate damage arising from miscarriage of justice relating to the operation of mutual recognition instruments, a proposal facilitating the setting up of a specific EAW Judicial Network and a network of defence lawyers working on EU criminal justice and extradition matters and, finally, a legislative proposal to improve standards of detention conditions, including conditions of pre-trial detention.

Note on Methodology

This attempt to quantify the economic potential of the political guidelines presented by the Commission President, Jean-Claude Juncker, should be read in conjunction with the exercise of *Mapping the Cost of Non-Europe 2014-19*, has so far been published by the European Added Value Unit in March and July 2014. The estimates used throughout the present text draw on the same body of research work, but the different perspective and purpose of each leads to a different overall result. This may be explained by the fact that:

(a) the scope of the two exercises, while overlapping, is not identical. The present text covers seven of the ten guidelines proposed by the Commission President, where quantification can be attempted, whereas the *Mapping* exercise is correlated with resolutions adopted by the European Parliament in 25 specific areas of policy;

(b) the estimates in the present text correspond to the *potential* which could be realised as part of a policy programme for the coming legislative period. Where the research available indicates a range of higher and lower values for the potential benefits, the mid-point is usually chosen, in accordance with the methodological practice of the US Congressional Budget Office (CBO) in its cost-benefit analysis of proposals, rather than the lower of the two bounds which was used in the two *Mapping* papers referred to above.

It should be noted that the estimates for the potential benefits of a Banking Union, of improved fiscal coordination, and a of Common Deposit Guarantee Scheme are calculations of the *one-off* losses that can be avoided in a future crisis scenario in a particular year, by putting appropriate arrangements in place now. They are thus qualitatively different from the estimates in the other policy areas, which relate to expected economic benefits accruing recurrently and cumulatively on an annual basis.

Detailed Tables on the Ten Points of the Juncker Plan

A NEW BOOST FOR JOBS, GROWTH AND INVESTMENT

European Added Value

Potential GDP gains from Growth and Investment Initiative	Cost of Non-Europe (billion euro per year)
Investment in infrastructure: broadband, transport and rail, energy hubs and connectors	<i>To be assessed</i>
Benefits from climate of entrepreneurship and innovation	<i>To be assessed</i>
Increased SME activity	<i>To be assessed</i>
European Research Area, deeper coordination, reduced fragmentation/duplication of research	<i>To be assessed</i>
Other elements	<i>To be assessed</i>

A CONNECTED DIGITAL SINGLE MARKET

European Added Value

Potential GDP gains from completing the Digital Single Market	Cost of Non-Europe (billion euro per year)
E-commerce	204
E-procurement	100
Single European Payments Area (SEPA) and e-payments	4.4
E-invoicing	40
Cloud computing	47.5
EU regulation of EU mobile roaming and contract termination rates	12
Consumer protection regulation	58
Online and alternative dispute resolution system	22
TOTAL	487.9

A RESILIENT ENERGY UNION WITH A FORWARD-LOOKING CLIMATE CHANGE POLICY

European Added Value

Potential GDP gains from a Single Market in Energy	Cost of Non-Europe (billion euro per year)
Regulated prices	9.5
Integrated energy market in gas and electricity	12.5
New initiatives on Energy Efficiency	200
Smart Grids	4
Hubs and exchanges, market coupling, market balancing	3.5
Coordinated renewable investment and integration into networks	22.5
Modernisation of trans-border interconnectors	<i>to be assessed</i>
Energy and climate package for 2030. Post-2020 climate action framework	<i>to be assessed</i>
Low-carbon economy in 2050	<i>to be assessed</i>
Emission ceilings	<i>to be assessed</i>
Transition to bio-fuels	<i>to be assessed</i>
Regulatory framework for shale gas	<i>to be assessed</i>
TOTAL	252

A DEEPER AND FAIRER INTERNAL MARKET WITH A STRENGTHENED INDUSTRIAL BASE

European Added Value

Potential GDP gains from a deeper and fairer Internal Market	Cost of Non-Europe (billion euro per year)
Deepening the Single Market in industrial products and new initiative on free movement of goods	227
Free movement of services	120
Single Market governance	<i>To be assessed</i>
Initiative for retail financial services and consumer protection	60
Recent measures on the derivatives trade	19
Initiative on cross-border public procurement	50
New regulation of Pension Funds	<i>To be assessed</i>
Single European Transport Area	8.6
Tourism	6.2
Codification of Passenger Rights	<i>To be assessed</i>
Company Law reform	0.04
European Mutual Society	<i>To be assessed</i>
Equal pay for equal work	13
TOTAL	503.84

A DEEPER AND FAIRER ECONOMIC AND MONETARY UNION

European Added Value

Potential GDP gains and/or one-off costs avoided from a deeper and fairer Economic and Monetary Union	Cost of Non-Europe (billion euro per year)
Banking Union and banking regulation to avert a new financial crisis *	209
Improved Coordination of Fiscal Policies *	71
Common Unemployment Insurance Scheme for the euro area	17
Common Deposit Guarantee Scheme *	48
VAT and action against tax evasion	14.5
TOTAL	359.5

* These three items relate to the potential benefit, in terms of costs avoided, in a crisis year of effective prior action to avert a banking or sovereign debt crisis.

A REASONABLE AND BALANCED FREE TRADE AGREEMENT WITH THE UNITED STATES

European Added Value

Potential GDP gains from a reasonable and balanced Free Trade Agreement with US	Cost of Non-Europe (billion euro per year)	
	EU	US
Tariff liberalisation of 98%	25.4	9.8
NTB reductions in goods of 10%	29.2	25.5
NTB reductions in services of 10%	3.5	6.9
Direct spill-over effects	8.0	7.4
Indirect spill-over effects	2.2	- 0.07
TOTAL	68.2	49.5

AN AREA OF JUSTICE AND FUNDAMENTAL RIGHTS BASED ON MUTUAL TRUST

European Added Value

Potential added value in the area of Justice and Fundamental Rights	Cost of Non-Europe (billion euro per year)
Protection of Fundamental Rights	<i>To be assessed</i>
Fight against Discrimination	<i>To be assessed</i>
Combatting violence against women	7
Improved cooperation on the European Arrest Warrant	0.04
Data Protection including passenger names records	<i>To be assessed</i>
Combatting cross-border organised crime	<i>To be assessed</i>
Combatting cyber-crime	<i>To be assessed</i>
Combatting money laundering	<i>To be assessed</i>
New initiative to combat corruption	<i>To be assessed</i>
Common standards in procedural rights and criminal law	<i>To be assessed</i>
TOTAL	7.04

TOWARDS A NEW POLICY ON MIGRATION

European Added Value

To be assessed.

EUROPE AS A STRONGER GLOBAL ACTOR

European Added Value

Potential efficiency gains through greater cooperation in CSDP	Cost of Non-Europe (billion euro per year)
Efficiency gains in industry	10
Certification of ammunition	0.5
Standardisation of ammunition	1.5
Off-sets	6.6
Efficiency gains in land forces	6.5
Efficiency gains in infantry vehicles	0.6
Efficiency gains in air-to-air refuelling	0.2
Efficiency gains in basic logistic support	0.03
Efficiency gains in frigates	0.4
Legislative instrument for donor coordination	0.8
TOTAL	27.2

A UNION OF DEMOCRATIC CHANGE

European Added Value

To be assessed.

This study offers a series of provisional estimations of the potential gains to the European Union economy that could be generated over time from pursuing the ten-point plan presented by Jean-Claude Juncker to the European Parliament before he was elected President of the European Commission in July 2014. It forms part of a series of studies being undertaken on the potential added value from European-level initiatives advocated in resolutions of the European Parliament.
