FRANCE22

# A look back at France's Presidency of the EU Council

January - June 2022

AmCham
AMERICAN CHAMBER
OF COMMERCE IN FRANCE

*“Together we achieved so much. From 6 packages of sanctions against Russia to progress on the #EUGreenDeal. France, and Europe as a whole, can be proud of these accomplishments.”* [1]

*- Ursula Von der Leyen*

## What is the outcome of France’s Presidency of the EU Council ?

On January 1st 2022, France took over the Presidency of the European Council for the first time in 14 years. For its 6 months at the helm of one of the EU’s key institutions, the French administration laid out **an ambitious program**. It included over **60 priorities**, which French officials started preparing 2 years in advance. Despite the **Russian invasion of Ukraine**, which threatened to derail the French agenda, a record **130 agreements** were brokered from climate change to digital services.

Contrary to popular belief, presiding over the EU Council does not amount to presiding over the European Union. The European Council is a European institution, on the same level as the European Commission or the EU Parliament.

Member States holding the Presidency work together closely in groups called 'trios', which set “long-term goals and prepare a common agenda determining the topics and major issues that will be addressed by the Council over an 18-month period” [2]. The country holding the Presidency must do so as a **‘neutral broker’** : it should ensure **continuity with the work of previous Presidencies** and make certain that its **domestic political agenda does not interfere with its European mandate**.

*"The face of Europe has changed profoundly in six months. Faced with the return of war to our continent, the European Union has neither divided nor shirked its responsibilities. It has provided unfailing civil and military aid to Ukraine and will continue to do so. In the space of a few weeks, it has imposed the toughest sanctions on the Russian regime and economy. It has been able to shape Ukraine's European future by granting it and Moldova candidate status in the European Union."*

Emmanuel Macron, President of France

From the officialPress kit Results of the French Presidency of the Council of the EU Council

What did France accomplish during these 6 turbulent months? Most observers have commended France for its ability **to successfully pass key legislation**, making significant advances on the “Fit for 55” package or the Digital Services and Digital Markets Acts, while **coordinating a unified European response to the war in Ukraine**. Yet, despite a generally positive appraisal, the Presidency also failed at key objectives initially announced such as convincing Hungary to lift its veto on the EU-wide adoption of a 15% minimum tax on multinational corporations. More so, while Emmanuel Macron received praise for his efforts in spearheading the French Presidency, some of his positions regarding Russia, specifically his statement that Vladimir Poutin should not be humiliated in defeat, sparked controversy.

In this *Policy Flash*, AmCham France breaks down some of the key takeaways of France’s Presidency of the EU Council.

1 - Ursula Von der Leyen, Twitter, 24/06/2022
2 - "The presidency of the Council of the EU", European Council Website, 13/07/2022

# A Presidency marked by Russia’s invasion of Ukraine

The Russian invasion of Ukraine took place at the beggining of the French Presidency of the EU Council. The question of how the Union would react to such aggression by Russia right outside its borders became front and center of the Council’s priorities. While other matters were initially put on the backburner, the actors of the French Presidency ultimately moved to make sure that the Council handled both the European response to the war and the initial agenda, creating an immense workload for European diplomats.

This desire to push forward was viewed with admiration but angered representatives of smaller Member States [3], who complained that they did not have the resources to sustain such a heavy workload.

The EU acted quickly and effectively to support Ukraine and sanction Russia, showing **a rare degree of unity**. In coordination with countries outside the bloc, most notably the United States, the EU provided material and financial support to Ukraine and adopted **6 packages of sanctions against Russia.** The Union also put Ukraine on a fast track to EU membership.

The EU has welcomed **nearly 7.6 million Ukrainian refugees**, provided Ukraine with **€2 billion in military aid**, with **a further 2€ billion to support the Ukrainian economy** and €**335 million for humanitarian aid.**

Since February, the EU has imposed a number of packages of sanctions against Russia and Belarus, including individual sanctions, economic sanctions and diplomatic measures. As part of these economic sanctions, the EU has imposed a number of import and export restrictions on Russia, which has had a significant impact on the price of energy, since prior to the war, Europe was a massive importer of Russian oil and liquid natural gas.

In February 2022, the EU denied access to EU airports to all types of Russian carriers and imposed a ban on overflight of EU airspace. In addition, the EU banned the export of goods and technologies for the aerospace industry to Russia. The EU has also closed its ports to the entire Russian merchant fleet, and excluded large Russian banks from the SWIFT payment system. [4]

3 - Georgina Wright, "Overall, the French EU Council Presidency was a success... but not everyone agrees", ceps.eu, 20/07/2022
4 - FPEU Website, Press Release

# A more Independent & Sovereign Europe

FRANCE22

In the wake of the disruptions caused by Covid-19 and the Russian invasion of Ukraine, economic sovereignty is more than ever a primary concern for the European bloc. Under the French Presidency, the Commission focused on 3 topics: the **protection of European public procurement**, the **subsidization of innovative and strategic sectors**, and **energy sovereignty.**

## RePowerEU

Reducing European dependence on fossil fuels was a major topic of discussion during the French Presidency, both for **environmental and strategic reasons**. The Commission has presented a package of measures to meet these challenges. The RePower EU package aims to **end dependence on Russian fossil fuels by 2030** through energy saving measures, the diversification of supplies, accelerated development of renewable energy and a reduction in the use of fossil fuels in polluting industries. Achieving these objectives is expected to require an increase of 210 billion euros in investments by 2027. [5]

## IPI & Distoring Subsidies

Reciprocity instruments on public procurement ensure that **third countries will no longer be able to close or limit access to their public markets without Europe retaliating**. Moreover, the European Commission has adopted a position on the regulation on foreign subsidies distorting the internal market. The regulation aims to address the distortions created by subsidies granted by non-EU countries to companies operating in the single market. [6]

## Scale Up EU

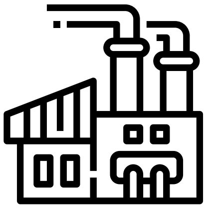
As part of the Scale-up Europe initiative, driven by president Emmanuel Macron, a **€3.5 billion fund** dubbed the "European Tech Champions Initiative" (ETCI) was created in February 2022. This fund is designed to help European tech champions emerge to compete with their American and Chinese counterparts. [7]

5 - "REPowerEU: Un plan visant à réduire rapidement la dépendance à l'égard des combustibles fossiles russes et à accélérer la transition écologique", European Commission Website, 18/05/2022
6 - "Instrument européen de réciprocité dans les marchés publics internationaux : un accord historique", ue.delegfrance.org, 15/03/2022
7 - "Scale-up Europe : mobilisation pour faire accélérer la tech européenne" FPEU Website, 07/02/2022

# A Greener Europe

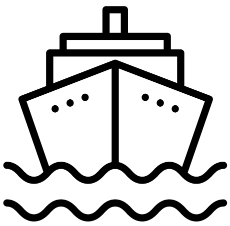
As the French Presidency of the EU Council came to a close in late June, **the Ministers of the Environment of the EU-27 agreed on a number of proposals to fight climate change.** Many (though not all) of these legislative proposals **concern the "Fit for 55" package,** which aims to reduce emissions across the EU by 55% by 2030. They include the introduction of a European carbon tax, a ban on oil-powered vehicles by 2035, and the introduction of a Social Climate Fund to protect the most vulnerable segments of the population from the impacts of the ecological transition.

## Carbon Border Adjustment Mechanism (CBAM)



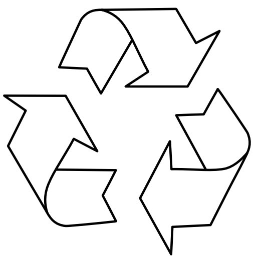
The Carbon Border Adjustment Mechanism (CBAM) is one of the key measures of the Fit for 55 package. CBAM **avoids 'carbon leakage'** by targeting imports of carbon-intensive products to prevent offsetting the EU's carbon reduction efforts. This will disincentivize imports of products manufactured in countries where climate change policies are less ambitious. **CBAM is designed to function in parallel with the EU's Emissions Trading System (ETS)**, a carbon market based on a system of emission allowances for energy-intensive industries and energy producers. [8]

## Revised Emissions Trading System (ETS)



The reform of the carbon trading market contains 2 measures: the extension of the carbon tax market to the **maritime sector**, **office buildings, heavy goods vehicles** and the gradual end of free allowances allocated to industry. The reduction of these free allowances will take place from 2027 onwards - instead of 2025 - following pressure from a number of groups in the European Parliament. The allowances are scheduled to completely disappear by 2032.[9]

## Social Climate Fund

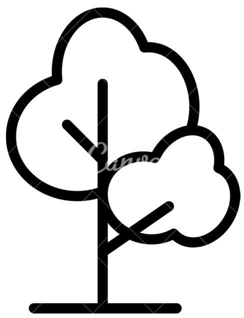


The Social Climate Fund is an instrument created by the European Commission **to mitigate the impact of the EU emissions trading system on vulnerable individuals and small businesses**. After much debate, the amount was set at **$59 billion**, a figure below the $72.2 billion initially planned. [10]

In the European Parliament, the Social Climate fund has come under attack from all sides. Left-leaning MPs argue that in its current form it is too small to shield the most economically vulnerable from the negative impacts of the Fit for 55 package, while conservatives argue that it is unnecessary and would require amending the 2021-2027 budget, which has already been agreed upon.

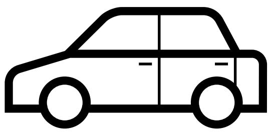
8 - European Commission Website, "Carbon Border Adjustment Mechanism"
9 - European Council, press release, 29/06/2022
10 - "Plan climat UE: accord des 27 sur le fonds d'aide aux ménages vulnérables", Le Figaro, 29/06/2022

## Imported Deforestation



EU Environment Ministers have agreed on a common position on the fight against "imported deforestation", the loss of forest caused by the EU's agricultural imports outside of its borders, often in third countries. The agreement rubber stamps a scheme proposed by the European Commission in November 2021 to ensure that **European imports of beef, timber, palm oil, soy, coffee and cocoa are deforestation-free**. The Council agreed to set up a benchmarking system [11], which assigns to third and EU countries a level of risk related to deforestation (low, standard or high). The risk category will define the obligations of importers to carry out inspections and controls.[12]

## Ban on new Fossil-fuelled Cars from 2035



As of 2035, the EU will **ban the sale of combustion engine cars and vans**. The ban also includes **hybrid vehicles**. The landmark text was voted on in the European parliament on June 8 and approved by the European Council of Environment Ministers on June 28. [13]

Some hurdles to the final adoption of the text remain. In late June, German finance Minister Christian Lindner pronounced his government's opposition to the bill in its current form, arguing that there should be niches that persist for combustion engines that use "E-fuels'. Lindner's stance contrasts with Mercedes-Benz and Volkswagen Group, 2 of the country's largest auto manufacturers, who have maintained that the phase-out of combustion engines should be achievable in the suggested time frame.

# *OTHER LEGISLATION*

## Reciprocity of norms for Agro-food Products

The Agriculture Ministers of the European Union have agreed on the principle of applying EU health and environmental standards to imported agri-food products in an effort to increase the environmental sustainability of its food systems, in line with the **EU's Farm to Fork Strategy [14],**. However, the possibility of the EU applying its environmental and health standards to all agri-food and agricultural imports could restrict the supply chain and inflate costs. [15]

## Mandatory publication of Sustainability Information

Following an amendment to the 2014 non-financial reporting directive agreed upon by the Council and the European Parliament, companies with more than 250 employees or listed on a stock exchange will have to **publish regular reports on the social and environmental impact of their activities**. **Non-Financial reporting** has already become common practice in and outside of the European Union, with many companies going farther in their environmental and social reporting than is required by national or European law. [16]

11 - "Council agrees on new rules to drive down deforestation and forest degradation globally", European Council Website, 28/06/2022
12 - European Parliament Website, "Le Conseil approuve de nouvelles règles afin de réduire la déforestation et la dégradation des forêts", 28/06/2022
13- Leonor Hubaut, "L'Europe acte la fin des véhicules neufs diesel et essence en 2035", Le Figaro, 09/06/2022
14 - "Farm to Fork strategy", European Commission Website
15 - Mathilde Dupré & Stéphanie Kpenou, "Bilan de la PFUE sur les mesures miroirs et la réciprocité des règles dans les échanges commerciaux", Veblen Institute, 30/06/2022
16 - FPEU Website, Press Review

# A Fairer Europe

Over the course of the French Presidency, the social policies of the European Commission have been centered on 3 themes: **gender equality**, **European democracy / identity**, and **social benefits**.

## Minimum Wage

A new directive on minimum wages will promote the establishment of **a framework to improve the adequacy of minimum wages** within EU countries. This measure will help to achieve decent working and living conditions for European employees. However, Member States, in which wage formation is exclusively done via collective agreements, will not obliged to introduce a statutory minimum wage. [17]

This proposal is based on 4 pillars :

- Promote collective bargaining on wage setting
- Promote adequate levels of statutory minimum wages
- Improve the effective access to minimum wage protection of all workers
- Require the publication of reports by Member States defending the adequacy of their minimum wage with respect to living standards in their countries.

To be clear, this directive does not propose a uniform European minimum wage for all 27 Member States, nor does it define terms for the creation of a binding variable minimum wage adapted to the economic landscape of Member countries. Nevertheless, it does establish **a common framework** that aims to guarantee a "decent standard of living" for wage workers across the European Union. [18]

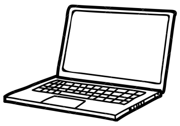
## Women on Boards

The so-called **"Women on Boards" directive** will require **at least 40% of non-executive director posts** or **33% of all director posts to be held by women**. Today, only 30.6% of board members in the EU's largest publicly listed companies are women, with significant differences among member States. The proposal includes penalties for companies that fail to comply with open and transparent appointment procedures. Companies with fewer than 250 employees will fall outside the scope of the directive.[19]

17 - Virginie Malingre, "Salaire minimum : l'Union européenne adopte un cadre commun", Le Monde, 07/06/2022
18 - Boran Tobelem, "Salaire minimum dans l'UE : que contient la future directive européenne ?", touteleurope.eu, 04/07/2022
19 - "Women on boards: deal to boost gender balance in companies", European Parliament Website, 07/06/2022

# A Union at the forefront of Digital Regulation

Perhaps one of the most significant advances made during the French Presidency of the EU Council is the agreement brokered by Member States on 2 flagship pieces of digital regulation : the Digital Services Act (DSA) and the Digital Markets Act (DMA).



## Digital Services Act

*"The Digital Services Act is a big and necessary step forward in the creation of a safer online environment. [...] The proposal boosts trust in the digital space and allows for fully using the potential of the online platform economy in a safe way." Slovenian Minister for Digital Affairs on the website of the Council of the EU*

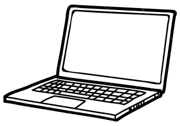
The Digital Services Act (DSA) is based on a simple principle: **what is illegal offline is illegal online**. Its primary focus is on digital marketplaces. The DSA establishes a set of rules for digital platforms to fight against the dissemination of illegal or harmful content, or illegal products. The legislative package covers multiple objectives: **to better protect European Internet users** and their fundamental rights (freedom of expression, consumer protection...); **to help small businesses in the EU to grow**; **to strengthen democratic control and monitoring of very large platforms**; to mitigate systemic risks, such as information manipulation or disinformation. [20]

<u>Illustrations of obligations detailed by the DSA:</u>

- Online platforms will have to offer users a tool that allows them to easily report illegal content. They will also have to make their content moderation decisions more transparent, explaining how their targeted advertising algorithms work, for instance.
- Marketplaces will have to be more careful with their screening of vendors who are using their services or platforms.
- Targeted advertising towards minors will be prohibited for all platforms, as will advertising based on sensitive data such as religion or sexual orientation.

A mechanism for responding to crises affecting security or public health is included in the DSA. The European Commission will ask major digital players to assess any risks linked to activity on their platform when a crisis emerges (such as the recent Russian aggression against Ukraine or the Covid-19 crisis), and will be required to respond appropriately.

20 - "What is illegal offline should be illegal online: Council agrees position on the Digital Services Act", European Council Website



# Digital Markets Act

The Digital Markets Act (DMA) was designed to make the European digital market more competitive. The text aims to lay the foundations for **fair competition between digital players**, particularly for the benefit of SMEs and start-ups; to **stimulate innovation, growth and competitiveness in the digital marke**t; and to **reinforce the freedom of choice** of European consumers.

The DMA targets what it refers to as "gatekeepers" - businesses operating large platforms that have the possibility to affect a large number of businesses and end-users. Search engines, social networks, video-sharing platforms, cloud-computing services and advertising services are all core platform services that may fall into this category.

Companies are presumed to be gatekeepers under the new European legislation if they 1) provide one or more essential platform services in at least three European countries; 2) have a very high turnover or market valuation (at least €7.5 billion in annual turnover in Europe in the last three years or €75 billion in market capitalization); or 3) register a large number of users in the EU (over 45 million Europeans per month). [21]

## What consequences for the DMA?

### Access controllers will need to

- make it as easy to unsubscribe as it is to subscribe to an essential platform service;
- Make it easy to uninstall pre-installed applications on their phone, computer or tablet;
- Make the core functionality of their instant messaging services (Whatsapp, Facebook Messenger...) interoperable with their smaller competitors
- Allow sellers to promote their offers and conclude contracts with their customers outside the platforms;
- Give sellers access to their marketing or advertising performance data on their platform;
- inform the European Commission of acquisitions and mergers they make.

### Gatekeepers will no longer be able to

- impose the most important software (web browser, search engines, virtual assistants) by default when installing their operating system. A multi-choice screen will have to be proposed to be able to choose a competing service;
- favor their services and products over those of the sellers who use their platform (self-preference) or exploit the sellers' data to compete with them;
- reuse a user's personal data for targeted advertising purposes, without the user's explicit consent
- imposing on application developers certain additional services (payment system for example).

21 - Vincent Lequeux "Numérique : que sont le DMA et le DSA, les règlements européens qui veulent réguler internet ?", touteleurope.eu, 06/07/2022

# What remains to be done ?

Despite the war, France was able to broker a record 130 agreements. However, it failed to move forward on a handful of its stated objectives, such as reforming EU fiscal rules, moving forward on the global minimum corporate tax, and overhauling the internal energy market.

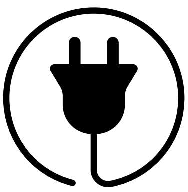
## Reforming the Stability & Growth Pact

Reform of the Stability and Growth Pact, a set of rules designed to ensure that Member States pursue sound public finances and coordinate their fiscal policies, was one of Emmanuel Macron's priorities for the French Presidency of the Council. The French President hoped to relax the European budgetary rules in order to guarantee the stability of the common currency and allow for much needed investment. The current rules include an **obligation to stay below the 3% public deficit threshold** and **to limit national debt to 60% of GDP**. However, in response to the economic consequences of Russia's invasion of Ukraine, the European Commission postponed the implementation of its new budgetary rules to 2024. [22]

## Global minimum Corporate Tax Rate


Hungary has blocked an EU directive that would impose a **15% minimum tax on multinational corporations**, which is intended to come into effect on December 31, 2023. The tax deal was initially proposed by the OECD and supported by over 120 countries. The tax deal was a top priority of the French Presidency. The job of convincing Hungary to drop its veto will now go to the Czech Republic, who took over the Presidency of the European Council in July. [23]

## EU Electricity Market Reform



Bruno Le Maire, the French Economy Minister has been a staunch critic of the European wholesale electricity market, which he deems "obsolete". He hoped to push through a reform which would **decorrelate the price of electricity from the price of gas:** *"A European energy market in which the price of decarbonised electricity remains dependent on the price of fossil fuels is absurd,"* said the French Minister. "The more the price of gas soars, the more everyone can see this reality." [24], However, the heavy strain on European power markets that resulted from the war in Ukraine has delayed any talk of meaningful reform of the European electricity exchange.

22 - "Le ministre des Finances allemand ferme la porte à une révision du Pacte de Stabilité et de Croissance", legrandcontinent.eu, 14/02/2022
23 - Fabrice Nodé-Langlois, "La Hongrie torpille le projet européen de taxe minimum à 15 %", Le Figaro, 17/06/2022
24 - "France leads calls to reform 'absurd' EU energy market", Euractiv, 10/03/2022

AmCham France

77 rue de Miromensil
75008 Paris, France

www.amchamfrance.org
+33 1 56 43 45 67

ZACHARY PASCAUD
Public Affairs & External Relations Manager
zachary.pascaud@amchamfrance.org