The Briefing for BT4 Europe

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MAIN EU DEVELOPMENTS

- The European Commission has recommended conferring candidate status on both Ukraine and Moldova on the understanding they will carry out reforms to bolster the rule of law and meet EU standards in a range of other areas. Candidate status is a first official step on the road to EU membership and is seen as the first official seal of approval. The length of time of the process from candidate to member can, however, vary greatly. Among the speediest countries to join the EU were Sweden and Finland whose applications took roughly three years. Other countries took much longer, such as Romania and Bulgaria at around 10 years from start to finish. EU officials have said that Ukraine has already adopted 70% of the **acquis communautaire** (see glossary below), which should be an indication that it will follow a quicker timeline.

- The ECB has confirmed it will raise rates in July in a bid to fight rising inflation. The bank announced that it would raise the cost of borrowing by 25 basis points in July — its first rate hike in more than a decade — and said a bigger hike could follow in September "if the medium-term inflation outlook persists or deteriorates". Eurozone inflation hit an all-time high of 8.1% last month, according to Eurostat. The ECB has been slower in moving to tackle inflation than its counterparts in the United Kingdom and United States, which have both raised rates in the past few months. However, its task is trickier as Europe is more directly exposed to the economic fallout from the war in Ukraine. The central bank is trying to strike a delicate balance between raising rates to hold down rising prices, but not by so much that it tips the region into a recession.

- On 8 June, a divided European Parliament failed to adopt its positions on the revision of the EU Emissions Trading Scheme (ETS), the Social Climate Fund (SCF) and the Carbon Border Adjustment Mechanism (CBAM). The Plenary rejected the proposal to reform the EU ETS after MEPs voted down the brokered compromise proposed by the S&D and Renew that would have brought forward the start date for phasing out free allowances to 2026 with full implementation of CBAM by 2032. However, following a compromise the European Parliament voted in favour of a diluted reform of the EU ETS on 22 June 2022. Under this compromise, contentious ETS permits will be phased out one year later than envisioned by the Commission. On the 29 June the Council also agreed its position on EU ETS and therefore the legislative proposals will now go to **trialogue (**see glossary below) in September.

- Airlines and airports are going through an acute crisis currently in many European cities. At Heathrow, British Airways check-in staff will strike next month over pandemic-driven pay cut of 10% they say has not been fully restored. Ryanair unions from Italy, France, Portugal, Belgium and Spain warned in May cabin crew could launch a strike this summer if the airline had no "meaningful response" to their demands for better working conditions. Since then, they have announced plans to strike in all five countries in late June or early July. The British Government has also advised airlines to ensure their summer schedules are "deliverable" noting that it is better to cancel earlier than at the last minute. On 4 July EasyJet said it was cutting thousands more flights this summer in the latest example of airlines cutting capacity, while airports, including Gatwick and Schiphol, are limiting the volume of passengers they will handle over the summer. As a result, Easyjet's COO Peter Bellew resigned amid growing anger over flight cancellations.

- Finally, French President Emmanuel Macron has lost his majority in France's National Assembly. A broad left-wing alliance is set to be the biggest opposition group, while the far-right scored record-high wins. A hung parliament will require a degree of power-sharing and compromises among parties not experienced in France in recent decades. The last time a newly elected French President failed to get an outright majority in parliamentary elections was in 1988. This result will hamper legislative reforms in the areas of the age of retirement and deepening European integration.

MAIN EU DEVELOPMENTS RELEVANT TO BUSINESS TRAVEL

1. **Recovery** Monitor developments relevant to the recovery of business travel from the pandemic

21 June 2022: MEPs in the Parliament's Economic and Monetary Affairs Committee met with ECB President Chrisine Lagarde on 21 June. Inflation and the new anti-fragmentation mechanism soon to be launched by the European Central Bank were the two main topics raised by MEPs. Lagarde acknowledged that pressures on Eurozone economies had increased significantly and outlined the next steps the ECB would be taking to counter these pressures. She said that the negative effects on the economies were expected to gradually fade away but also that inflation would remain unusually high for a period, with increased risks to the financial systems' stability. She also provided some more details of what the ECB envisions doing with its new anti-fragmentation mechanism, aimed at addressing economic dislocations within the Eurozone. Numerous MEPs underlined the particular characteristics of this phase of inflation, which was mostly import driven, came right after the COVID-19 pandemic that had led to considerable borrowing by numerous countries, and was compounded by the war in Ukraine.

21 June 2022: The European Commission has approved a prolongation of a Finnish aid measure consisting of a state guarantee covering 90% of a €600 million loan to Finnair in the context of the coronavirus pandemic. Due to the coronavirus pandemic and the travel restrictions that Finland and other countries had to impose to limit the spread of the virus, Finnair incurred significant operating losses and experienced a steep decline in traffic and profitability. In order to help Finnair secure its finances, Finland notified the prolongation of the State guarantee by an additional three years.

20 June 2022: The International Air Transport Association (IATA) has released a statement announcing an upgrade to its outlook for the airline industry's 2022 financial performance as the pace of recovery from the COVID-19 crisis quickens. IATA's Director General Willie Walsh said losses will be cut to $9.7 billion this year and profitability is on the horizon for 2023. It is a time for optimism, even if there are still challenges on costs, particularly fuel, and some lingering restrictions in a few key markets.

17 June 2022: The Committee on Budgets has approved France's request for support from the European Globablisation Adjustment Fund for Displaced Workers to help 1580 workers from Air France and two of its subsidiaries in 16 regions in France who lost their jobs because of the COVID-19 pandemic. The EU job-search aid is worth €17.7 million. The support provided to the dismissed workers includes advisory services, career guidance, job search assistance and the possibility to learn new skills through tailored vocational training. Participants can also receive advice on how to start their own business and a start-up grant of up to €15,000. The support measures also include hiring benefits, salary top-ups and quick reemployment allowances for workers.

2. **Sustainability** Monitor developments relevant to the sustainability of business travel

28 June 2022: The European Parliament voted to mandate that all new car and van sales should be zero emissions from 2035 as part of efforts to clean up road transport. The legislation is part of the 'fit for 55' package and mandates that carmakers should reduce their fleetwide emission averages by 100% from 2035 with interim steps in 2025 and 2030. To raise the contribution of the road transport sector to the EU's climate targets, the proposal sets more ambitious 2030 targets for reducing the CO_2 emissions of new cars and vans and allows only zero-emission vehicles from 2035. The final legal text was then approved by European Ministers at a Council meeting in Luxembourg on June 28.

24 June 2022: The European Commission has established a new EU-funded Alliance for Zero-Emission Aviation which aims to prepare the bloc for the introduction of zero-emission aircraft by upgrading Europe's aviation infrastructure to meet the needs of electric and hydrogen-powered jets. A broad spectrum of aviation organisations will join the community, including aircraft manufacturers, airlines, airports and fuel producers. Within the EU, aviation is responsible for around 14% the bloc's transport greenhouse gas emissions and it contributes some 2.8% of CO_2 emissions globally.

15 June 2022: The Transport Committee in the European Parliament held a meeting with the Tourism Task Force on the promotion of "Destination Europe". Representatives from industry such as European Travel Commission, Expedia Group and Ariva Digital presented their experiences and understanding of the topic. On sustainability, Expedia said they were working with UNESCO to roll out a sustainable travel pledge and said that investing in Destination Europe and making tourism more sustainable were not mutually exclusive. Tilly Metz MEP highlighted that international air was the most problematic as it lacked any sustainable alternatives. The European Travel Commission said it was their goal to strengthen the sustainable development of EU tourism and focused on the advertising of Destination Europe.

4 June 2022: The **Committee of the Regions** (see glossary below) has released a statement on Tourism entitled 'After Covid-19 pandemic, the recovery of tourism builds on sustainability'. The statement highlighted that tourism has been one of the sectors worst affected by the Covid-19 pandemic and only now touristic activity are slowly recovering back to pre-2020 levels. However, the pandemic has also accelerated the transition to a more sustainable models of tourism. MEP Cláudia Monteiro de Aguiar (PT/EPP) recalled that the European Parliament has urged the European Commission to present a new strategy on sustainable tourism in Europe and to establish an EU Agency for Tourism. She insisted that the green and digital transition in the tourism sector should be supported through the National Recovery Plans and eventually by setting up a separate budget line.

3. **Digitalisation** Monitor developments relevant to the digitalisation of business travel.

5 July 2022: The European Parliament held the final vote on the new Digital Services Act (DSA) and Digital Markets Act (DMA), following a deal reached between Parliament and Council on 23 April and 24 March respectively. The two bills aim to address the societal and economic effects of the tech industry by setting clear standards for how they operate and provide services in the EU, in line with the EU's fundamental rights and values. Commissioner Thierry Breton hailed the legislation as a "historic moment in digital regulation" and said that the DSA and DMA will strengthen the rule of law and provide better protection for citizens and provide new opportunities for businesses in the digital space.

28 June 2022: As part of the Transition Pathway for Tourism, 112 tourism organisations have committed to the transition of EU tourism. In February 2022, the European Commission called on tourism stakeholders to share concrete actions to help co-implement the Transition Pathway for Tourism and work together towards greener, more digital and resilient tourism. With 186 pledges the first batch of commitments shows the strong interest and willingness of EU tourism players to work on the transition of EU tourism. Overall, 112 organisations from 20 EU countries, the United Kingdom and Switzerland have responded to the call to renew EU tourism. The pledges cover 25 out of 27 topics of the Transition Pathway for Tourism, including areas such as policy and governance, sustainable mobility, green transition, digital transition, skills, resilience and inclusion, and stakeholder support.

21 June 2022: The European Court of Justice has ruled that respect for fundamental rights requires that the powers provided for by the Passenger Name Record (PNR) Directive be limited to what is strictly necessary. The PNR Directive requires the systematic processing of a significant amount of PNR (Passenger Name Record) data relating to air passengers on extra-EU flights entering and leaving the European Union, for the purposes of combating terrorist offences and serious crime. In addition, Article 2 of that directive provides Member States with the possibility to apply the directive to intra-EU flights also. The Lingue des droits humains argued that law infringes the right to respect for private life and the right to the protection of personal data guaranteed under Belgian and EU law. The Court held that in the absence of a genuine and present or foreseeable terrorist threat to a Member State, EU law precludes national legislation providing for the transfer and processing of the PNR data of intra-EU flights and transport operations carried out by other means within the European Union.

16 June 2022: The Transport Committee in the European Parliament held a meeting on boosting long distance and cross border passenger rail. Andris Americks (S&D, Latvia) stressed the role of digitalisation and the need for cybersecurity in ways that ensured a safe cyber environment for passengers and service providers. A Commission Representative from DG Move mentioned that the Commission had an initiative on multimodal digital mobility services scheduled for adoption the following year.

4. **Future funding** Monitor developments relevant to broadening the financial resources for BT4Europe.

The European Commission has launched new calls for projects under Horizon Europe's Work Programme for 2021-2022. EU funding of EUR 283 million in total is now available for Energy and Mobility topics with a deadline of 6 September 2022. Please follow this link for more details about the calls, deadlines and evaluation stages.

The Connecting Europe Facility (CEF) for Transport is the funding instrument to realise European transport infrastructure policy. It aims at supporting investments in building new transport infrastructure in Europe or rehabilitating and upgrading the existing one. A list of the open calls is available here.

5. **Other**

1 July 2022: The Programme of the Czech Presidency of the European Council (1 July-31 December)

19 October 2021: European Commission Work Programme. Annexes.

6. Published initiatives

16 December 2021 – 14 July 2022: Trans-European transport network (TEN-T) - revised guidelines. EU policy on transport infrastructure aims to facilitate transport across Europe and reduce regional, economic and social disparities by developing interconnected infrastructure for air, road, rail and shipping. This initiative will revise these guidelines.

10 June 2022 – 02 September 2022: EU Agency for Railways – European Commission evaluation of the Agency's work. The European Commission is evaluating the work of the EU Agency for Railways from 2016 to 2021, during which time the Agency became a revenue-generating authorising/certifying body.

7. Upcoming initiatives

The Multimodal Digital Services dossier has not yet been commenced but may be of interest to BT4 Europe. This initiative aims to address challenges for the multimodal digital mobility services (MDMS) to better integrate public transport and rail services and achieve seamless multimodal passenger transport. Planning and buying tickets for journeys that combine different modes of transport can still be cumbersome for travellers in the EU. These MDMS such as route planners and ticket vendors can be used to compare different options. Improving MDMS can help increase the sustainability, resilience, efficiency and comfort of the transport system. The Commission is set to adopt a legislative proposal in Q4 2022. There are several other dossiers which form part of the European Green deal which equally   have not been commenced but which may also be of interest. These include;

- EU 2021 rail corridor initiative, including the revision of the rail freight corridor Regulation and actions to boost passenger rail
- Second review of Directive 92/106/EEC on combined transport of goods between Member States
- EU multimodal framework for passenger rights
- EU framework for harmonised measurement of transport and logistic emissions

Notes:

(i) This is the six Briefing Report for BT4 Europe, it will be updated regularly

(ii) Further information on request.

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Glossary of Terms

Trialogue - Negotiations between the institutions on legislative proposals generally take the form of tripartite meetings ('trilogues') between Parliament, the Council and the Commission. For a given file, each institution designates its negotiators and defines its negotiating mandate. Trilogues may be organised at any stage of the legislative procedure (first, second or third reading). Any provisional agreement reached in trilogues is informal and has therefore to be approved by the formal procedures applicable within each of the two institutions. In Parliament, the text of the provisional agreement has to be approved by a vote in committee after which it is confirmed in plenary.

The **European Committee of the Regions** is an EU advisory body composed of locally and regionally elected representatives coming from all 27 Member States. Through the CoR they are able to share their opinion on EU legislation that directly impacts regions and cities. CoR members are elected representatives serving in local or regional authorities. The CoR appoints a rapporteur (one of its members) who consults stakeholders and prepares the opinion. The opinion is then presented to all members in plenary session who vote to amend and adopt it. Finally, the opinion is shared and communicated to all relevant EU institutions.

The **acquis communitaire** is the body of common rights and obligations that are binding on all EU countries, as EU Members. It is constantly evolving and comprises:

- the content, principles and political objectives of the Treaties;
- legislation adopted in application of the treaties and the case law of the Court of Justice of the EU;
- declarations and resolutions adopted by the EU;
- measures relating to the common foreign and security policy;
- measures relating to justice and home affairs;
- international agreements concluded by the EU and those concluded by the EU countries between themselves in the field of the EU's activities.

Applicant countries are required to accept the acquis before they can join the EU.

The **Digital Services Act** will oblige tech companies such as twitter and Facebook to monitor online content more aggressively which will protect internet users. Platforms will have to tell regulators what it is exactly they are doing to tackle fake news or misinformation. Brussels will not dictate how these platforms should police the internet but it will provide more of an oversight and concrete guidelines in the interest of users being safer and getting more accurate information online. Among the compromise amendments was around the issue of targeted advertising with legislators banning this practice against minors and the use of information around sexual preferences and religious beliefs. The legislation is likely to have a so-called 'Brussels effect' meaning a ripple effect on governments in other jurisdictions around the world.

The **Digital Markets Act** comes after a number of highly contested decisions adopted by the Commission against tech companies for abusing their position of dominance. One such case which was appealed to the CJEU is *Google (Shopping) v Commission*. The DMA contains a prohibition on self-preferencing and obliges companies that are qualified as gatekeepers in the digital market (Google being one of them) to apply 'non-discriminatory' conditions in the classification of services and products that they offer. It is interesting to note that the new legislative proposals provide for ex ante control in contrast to the ex post control of traditional competition instruments. This, coupled with the fact that the proposals envisage a prima facie prohibition of self-preferencing for digital gatekeepers without having to address effects specifically will in theory allow for speedier and more effective controls on abuses of competition law in light of modern technology.

The EU Commission is the institution which represents EU's interests and is known in that respect as the 'Guardian of the Treaties'. The powers and functions of the Commission are set out in the treaties, in particular under Article 17(1) TEU. The Commission is composed of a College of Commissioners from 27 Member States, who are assigned responsibility for specific policy areas by the President.

More information on the steps towards **joining the EU** can be found using this link. The conditions for membership are known as the 'Copenhagen criteria' and include a functioning market economy, a stable democracy and the rule of law, and the acceptance of all EU legislation, including the euro. For more information about Ukraine's potential accession please see EU Law Live's podcast with Ukrainian academic Roman Petrov.

A **Directive** is a legal instrument which is binding as to the result to be achieved, but the choice of form and methods to achieve this is up to the Member States. An example of this is the Renewable Energy Directive which imposes an obligation on Member States to achieve 32% by 2030. Given the various forms of renewable energies and taking account of specific circumstances of Member States (some will prefer solar others wind depending on geographic location) the Directive leaves it up to Member States to achieve that 32%.

A **Regulation**, on the other hand, has general application, is binding in its entirety and is directly applicable in all Member States. An example of an EU Regulation is the non-commercial movement of pet animals which sets out identical rules for all Member States on transporting pets around the EU.

EU's Covid recovery funds, formerly knows as the EU's **NextGenerationEU,** is the largest stimulus package ever financed in Europe. A total of 2.018 trillion in grants and loans was announced to help rebuild a post-COVID-19 Europe. The fund hopes to build a greener, more digital and more resilient Europe. The centerpiece is the Recovery and Resilience Facility which required Member States to come up with a plan and submit this to the Commission for approval. More information is available at this link.

The Council of the European Union. The Council is one of three legislative bodies and together with the European Parliament serves to amend and approve or veto the proposals of the European Commission. The Council of the European Union (National level Ministers eg. Ireland's Minister for Finance Paschal Donohoe is President of the Eurogroup) and the European Council (Heads of State) are intergovernmental institutions. The presidency of the Council rotates among the EU member states every 6 months with the presidency chairing meets at every level in the Council, helping to ensure the continuity of the EU's work in the Council.