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1. Energy Update

Some of the key files in the Clean Energy Package published in November 2016 remain under discussion at the European Parliament. Buildings are considered to be a crucial part of Europe's clean energy transition. The relevant initiatives include:

- **The Energy Performance of Buildings Directive (EPBD)**. A political agreement was reached at the end of January on the text of the Directive. This is subject to a final vote in plenary of the European Parliament which is scheduled to take place on 16 April 2018. The requirements on e-mobility have been changed so that for residential buildings (new or undergoing major renovation) with more than ten parking spaces ducting (conduits for electric cables) will have to be installed to enable at a later stage the installation of recharging points for electric vehicles for every parking space if the car park is located inside the building or adjacent to it (and the car park is included in the renovation measures).
- **The Energy Efficiency Directive (EED)** which establishes a common framework of measures to promote energy efficiency within the EU. On 17 January there was a partial vote at first reading on the text of the directive in a plenary session of the European Parliament after which the matter was referred back to the committee responsible, the Industry, Research and Energy (ITRE) Committee. The main amendments adopted in plenary concern:
 - Binding EU and national targets. The Parliament proposed setting a 35% energy efficiency target by 2030 at EU level (compared to the Commission's proposal of 30%).
 - Promoting investment. The Commission shall start a dialogue with public and private financial institutions to map out potential policy mechanisms in order to mobilise private financing for energy efficiency measures and energy renovations (with a primary focus on residential buildings with low-income households at risk of energy poverty).
 - Energy savings obligation. The proposal foresees that Member States shall be required to achieve a cumulative end-use energy saving for the entire obligation period of at least 1.5%. As part of this mechanism Member States shall promote the adoption of measures that tackle the heating and cooling potential for energy savings.
 - Alternative public policy measures to be implemented as a priority in social housing.
 - Provision of energy efficiency services in a competitive and transparent framework.
 - Billing information. Smart meters shall allow end-users to access their energy consumption data.
- **The Renewable Energy Directive (RED)** which adapts the framework for renewable energy development to the 2030 perspective and mainstreams renewables in the heating and cooling sector. It was also the subject of a partial vote at first reading at a plenary session of the European Parliament on 17 January and referred back to the ITRE committee. The main amendments adopted in plenary concern:
 - Binding EU and national targets. The Parliament proposed setting a target of at least 35 % of renewable energy (compared to the Commission's proposal of 27%).
 - Support for energy from renewable sources including common general principles for renewable energy support schemes.
 - Financial stability with the Directive to apply to both current and future investments.
 - Consumer involvement in energy transition, allowing and encouraging the development of self-consumption and renewable energy communities.
 - Heating and cooling installations. The Parliament proposed that each Member State shall endeavour to increase the share of renewable energy supplied for heating and cooling by at least 2 percentage points every year (compared to the Commission's proposal of 1 percentage point).

- The proposal for a regulation on the **Governance of the Energy Union**. This was also the subject of a partial vote at first reading of a plenary session of the European Parliament on 17 January and referred back to the ITRE Committee. This proposal aims to establish the regulatory framework for the Governance of the Energy Union with two main pillars:
 - First, the streamlining and integration of existing planning, reporting and monitoring obligations in the energy and climate field in order to reflect Better Regulation principles.
 - Second, the definition of a robust political process between Member States and the Commission with close involvement of other EU institutions in view of the achievement of the Energy Union objectives, in particular its 2030 targets for energy and climate.

Therefore discussions continue concerning the proposal for a regulation on the Governance of the Energy Union and the proposals relating to the EED and RED.

2. Action Plan on Sustainable Finance

On 8 March the European Commission published its strategy for a financial system that supports the EU's climate and sustainable development agenda in the form of an action plan on sustainable finance. This is part of the Capital Markets Union and is intended to be a roadmap to boost the role of finance in achieving a well-performing economy that also delivers on environmental and social goals. It follows the recommendations of the High-Level Expert Group on Sustainable Finance which was published in January and sets out strategic recommendations for a financial system that supports sustainable investments. It will have an impact on the financing of sectors including real estate.

The Action Plan has three objectives:

1. Re-orient capital flows towards sustainable investment, in order to achieve sustainable and inclusive growth;
2. Manage financial risks stemming from climate change, natural disasters, environmental degradation and social issues;
and
3. Foster transparency and long-termism in financial and economic activity.

All actions will be rolled out by Q2 2019 and include:

- Establishing a unified EU classification system to define what is sustainable and identify areas where sustainable investment can make the biggest impact.
- Creating EU labels for green financial products.
- Clarifying the duty of asset managers and institutional investors to take sustainability into account in the investment process and enhance disclosure requirements.
- Requiring insurance and investment firms to advise clients on the basis of their preferences on sustainability.
- Incorporating sustainability in the prudential requirements of banks and insurance companies.
- Enhancing transparency in corporate reporting.

The Commission will organise a high-level conference on 22 March to discuss the action plan further.

3. Action Plan on FinTech

On 8 March the European Commission also published an action plan, again part of the Capital Markets Union, on how to harness the opportunities presented by technology-enabled innovation in financial services (FinTech). It is intended to enable the financial sector to make use of advances in technology such as blockchain, artificial intelligence and cloud services. The financial sector is the largest user of digital technologies.

The action plan has three objectives: to support innovative business models to scale up across the single market; to encourage the uptake of new technologies in the financial sector; and to increase cybersecurity and the integrity of the financial system. The action plan includes:

- The hosting by the Commission of an EU FinTech Laboratory.
- An EU Blockchain Observatory and Forum which will report on the challenges and opportunities of crypto assets later in 2018 and is working on a comprehensive strategy on distributed ledger technology and blockchain addressing all sectors of the economy.

- Consultation on how to best promote the digitalisation of information published by listed companies in Europe.
- Workshops to improve information sharing on cybersecurity.
- A blueprint with best practices on regulatory sandboxes (frameworks set up by regulators that allow FinTech startups and innovators to conduct live experiments in a controlled environment).

There is a special focus on blockchain in the action plan because its development is expected to lead to a major breakthrough that will transform the way information or assets are exchanged, validated, shared and accessed through digital networks. This is likely to have an impact on services and business models beyond financial services. There is much discussion about whether the Commission is going to regulate cryptocurrencies (such as bitcoin). It is currently assessing the risks, opportunities and applicability of existing rules. It has stated that it will continue to closely monitor market developments and the European Supervisory Authorities will continue their assessment of the applicability of EU financial regulation to cryptocurrencies. Based on this assessment the Commission will decide if specific EU regulation is required. The Commission is also looking at the standardisation of blockchain.

Together with the action plan the Commission has also published a regulation on crowdfunding which improves access to funding for start-ups and other small businesses. It also makes it easier for platforms to offer services EU-wide and will allow them to apply for an EU label based on a single set of rules.

4. European Semester Winter Package

The Winter Package is part of the annual cycle of policy coordination at EU level known as the European Semester. It includes the annual analysis by the European Commission of the economic and social situation in the Member States and reviews progress on their economic and social priorities. It contains twenty seven country reports (for all the Member States except Greece), in-depth reviews for twelve countries identified in last year's Alert Mechanism Report and a Communication on the main findings. It also contains an assessment of what progress Member States have made in implementing last year's country-specific recommendations. With regard to regulatory reforms, concern is expressed about the slow pace of reform in the services market in particular in business services, construction and real estate.

Overall the conclusion is that the European economy is expanding robustly with an improved labour market and social situation. However, the recovery is not benefiting everybody and structural weaknesses are holding back growth and convergence in some Member States. Concern is also expressed about signs of possible overheating in house prices with prices accelerating in most Member States. For the first time the country reports emphasise the priorities of the European Pillar of Social Rights which was proclaimed in November 2017. The next round of country-specific recommendations will be published in May, based on the country reports and the national programmes which Member States will have to develop by mid-April.

Of the twelve countries subject to in-depth reviews eleven were found to experience imbalances or excessive imbalances also in 2017. Croatia, Cyprus and Italy are experiencing excessive economic imbalances. Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain and Sweden are experiencing economic imbalances. However Slovenia is no longer experiencing economic imbalances. The Commission has also published specific monitoring reports (progress reports focusing on policy measures) for Bulgaria, Croatia, France, Germany, Italy, Spain, Slovenia, Sweden and the Netherlands.

The Council is expected to discuss the Commission's findings emerging from the country reports and the in-depth reviews, following which the Commission will hold meetings with the Member States on the country reports. Member States are expected to involve national parliaments and social partners closely and ensure the ownership of the reform process by a wider range of stakeholders.



Useful links

www.cepi.eu

Political agreement on the EPBD

<http://data.consilium.europa.eu/doc/document/ST-5562-2018-INIT/en/pdf>

European Parliament procedure file on the EED

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0381\(COD\)](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0381(COD))

European Parliament procedure file on the RED

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0382\(COD\)](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0382(COD))

European Parliament procedure file on the Governance of the Energy Union

[http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0375\(COD\)](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=&reference=2016/0375(COD))

Action Plan on Sustainable Finance

https://ec.europa.eu/info/files/180308-action-plan-sustainable-growth_en

Action Plan on FinTech

https://ec.europa.eu/info/publications/180308-action-plan-fintech_en

European Semester Winter Package

http://europa.eu/rapid/press-release_IP-18-1341_en.htm