How the EU plans to help industry emerge stronger from the Covid-19 pandemic

The Covid-19 pandemic has highlighted the EU's scientific excellence, but also industry's vulnerabilities. Ingrid Sekki, CMO, REACHLaw, outlines an update to the European Commission's industrial strategy designed to accelerate Europe's recovery and competitiveness.

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On 10 March 2020, the European Commission published a new industrial strategy setting out actions to help EU industry lead the transition to climate neutrality by 2050, shape Europe's digital future, remain competitive at a global level and facilitate a level playing field.

The strategy places the single market at its core and underlines the fundamental importance of innovation, competition, digitalisation and investment in reducing EU dependence on others for critical raw materials, pharmaceuticals and technology.

It also highlights the importance of setting up well-functioning systems for standardisation and certification, as well as intersectoral working to build a stronger, well-functioning, single market where policy instruments (for example the new circular economy action plan, the chemicals strategy for sustainability, the renewable energy Directive and the sustainable products initiative) play a key role in Europe's transformation to a sustainable, carbon neutral economy.

The 2020 industrial strategy was presented the day before the WHO announced that the Covid-19 outbreak could be characterised as a pandemic. No one was prepared for the severity of the outbreak that has affected societies across the globe in so many ways – and left businesses and governments to wrestle with a bewildering collection of supply chain and logistical disruptions.

The crisis highlighted not only the EU's scientific excellence but also the vulnerability of its industry and the interdependence of its global value chains. Consequently, on 5 May, the Commission presented an update to the strategy. This reaffirmed actions presented in 2020 and responded to lessons learned during the crisis in order to enhance Europe's recovery and the competitiveness of its industry, through greater autonomy, resilience and a faster transition to a green and digital economy.

The update to the strategy focuses on the following areas:
- strengthening single market resilience;
- dealing with EU strategic dependencies;
- accelerating the twin transitions; and
- preparing for the next normal.

Strengthening single market resilience
Following the Covid-19 outbreak, industry faced many challenges affecting the opportunities offered by the single market. While some sectors were able to react quickly, for example, by switching production to make new items and help meet immediate demands (such as for face masks, materials for disinfectants) or shifting to e-commerce, many were affected by disrupted global supply chains, weaker demand for imported goods and services, supply restrictions and border closures. This highlighted the need to work together to facilitate free movement of products, persons, services and capital to strengthen the EU's resilience to disruption.

To tackle this, the updated strategy proposes, among others, a single market Emergency Instrument to guarantee the free movement of products and services by facilitating more information sharing, transparency and coordination within member states in case of future crisis.

At the same time, due to the increased number of non-compliant and dangerous products in the EU, this update to the strategy reaffirms that there is an urgent need for effective market surveillance of products to smooth the functioning of the single market. This requires speeding up the digitalisation of product inspection and data collection to trace non-compliant and dangerous products, while protecting consumers, as highlighted in the single market enforcement action plan presented in 2020.

In addition, the update reaffirms the key role of the sustainable products initiative, as it aims to make products fit for a circular and climate-neutral economy by increasing information requirements and strengthening standards in product sustainability and design.

The updated strategy also proposes the establishment of a digital product passport to gather data on products along the supply chain. Under the scope of this initiative are the following priority products:
- electronics;
- chemicals;
- information and communications technology (ICT);
- textiles;
- furniture;
- steel; and
- cement.

In this regard, on 17 March the Commission called for a public consultation on the SPI to gather opinions from relevant stakeholders on what should be considered for its implementation. The initiative will help to strengthen the EU's market resilience. It also supports the EU's green deal objective of making sustainable products the norm.

According to the European Commission's annual single market report 2021, more than60% of SMEs reported a fall in turnover as a result of the pandemic – mostly due to supply chain disruption, temporary shutdowns and employee absences. Hence the Commission is working on dedicated capital support for SMEs and other targeted measures to accelerate the green and digital 'twin' transitions.

Finally, given that the single market is the EU's most important asset, the update to the industrial strategy proposes an annual analysis of the state of the single market including the following ecosystems:
- aerospace and defence;
- agrifood;
- cultural and creative industries;
- digital;
- electronics;
- energy intensive industries;
- energy renewables;
- health;
- mobility,
- automotive;
- social economy;
- civil security;
- retail;
- textiles; and
- tourism.

And let us not forget that the EU Market Surveillance Regulation (EU Regulation 2019/2020) came into force on 16 July to ensure that non-food products placed on the EU market are compliant with EU harmonisation regulation to help to protect consumers and workers against unsafe and non-compliant products.

Dealing with EU strategic dependencies

The EU is a major importer, and exporter, internationally – a factor which is central to developing a more resilient economy, driving investment and mutually beneficial bilateral relations. Covid-19 negatively affected EU and global supply chains, leading to greater awareness of the need to address Europe's strategic dependencies, identifying where they are, how they will develop and their potential vulnerabilities.

To this end, the Commission carried out an analysis of trade data. It identified 137 products (representing 6% of the EU's total import value of goods) for which the EU is highly dependent on imports from third countries – mainly raw and processed materials and chemicals identified in the energy intensive industries and health (such as active pharmaceutical ingredients) as well as other products in the renewables, digital and electronics sectors. At the same time, the report also highlighted that other countries also depend on the EU. Where there are common dependencies, there may be opportunities for building up international partnerships.

Following this, the update to the strategy reaffirms the need to undertake in-depth reviews of key areas such as:
- raw materials;
- active pharmaceutical ingredients;
- lithium (Li-ion) batteries;

- hydrogen;
- semiconductors;
- cloud and edge computing; and
- documents considered strategic to the EU's interests in enabling the green and digital transitions.

Some actions have been carried out to support some of these strategic areas such as the establishment of the EU's raw materials alliance, a pharmaceutical strategy for Europe, a new legislative framework for batteries expected to come into force in 2022, and the European Clean Hydrogen Alliance. Next is an alliance of processors and semiconductor technologies – and the Alliance for Industrial Data, Edge and Cloud to speed up the digital transition.

As mentioned in the strategy, these alliances will help to achieve EU policy objectives in microelectronics and strengthen the EU's position in the global cloud and computing market.

The Commission is also considering an Alliance on Space Launchers to work towards globally competitive and autonomous access to space for the EU, as well as an Alliance for Zero Emission Aviation to contribute to the EU's green deal objectives.

Accelerating the twin transitions

Many of the actions set out in the 2020 industrial strategy have been adopted or initiated. However, the pandemic has speeded up the transition towards a green and digital economy by showing how companies working towards sustainability and digitalisation have a much better chance of success.

Consequently, the Commission has outlined new measures to support the green and digital transition including:
- creation of green and digital transition pathways in partnership with industry and key stakeholders for relevant ecosystems such as energy intensive industries and tourism;
- provision of a coherent regulatory framework to achieve the objectives of Europe's Digital Decade and the 'Fit for 55' ambitions;

- acceleration of the rollout of renewable energy sources;
- provision of sustainability advisors for SMEs and supporting data driven; models to make the most of the green and digital twin transitions
- new Horizon Europe partnerships bringing together private and public funding to support research and innovation to help drive the EU's green deal objectives

Preparing for the next normal

The Covid-19 pandemic has challenged business and society in many ways but has also accelerated change. It has shown the value of local manufacturing and underlined the key role that chemicals, critical raw materials and sustainable products play in the EU's strategic value chains, in modern technology and in the environment.

The EU's success in transforming its economy relies very much on securing primary and secondary raw materials in a sustainable manner. For this, a coherent implementation of the adopted chemicals strategy for sustainability and the sustainable products policy initiative are key to build a strong and sustainable chemical industry and products in Europe and deliver on the EU's green deal objective towards a toxic free environment.

At the same time, the ongoing digital transformation that the pandemic has accelerated presents new opportunities for the EU to achieve the green transition.

Companies will likely focus on preparing for the next normal by developing more resilient supply chains, filling in data gaps, forming alliances and examining opportunities to recover and meet sustainability goals. Business leaders will need to focus on strategies to manage immediate needs and overcome uncertainty in order to create resilience, with a return to long-term competitiveness. At the same time, companies will need to learn to thrive in the post-pandemic world where new capabilities will be required to face the digital and environmental future, and where pandemic-era innovations will reshape business and our lives.

The views expressed in this article are those of the authors and are not necessarily shared by Chemical Watch.