

IN THIS EDITION

July has been an incredibly eventful month in the EU; the Euro 2020 delivered a stunning victory to Italy and devastating floods ripped through multiple EU countries. While the EU moved forward with many keystone initiatives and progress was made on significant geopolitical topics, it did not feel like there was a cohesive EU presence in July; this may be a challenge for Slovenia to address through the next five months of its presidency.

The Democracy and Governance section covers the Rule of Law report and the particularly concerning situations in Hungary and Poland.

Scepticism of the name 'Fit for 55' aside, the Environment section looks at the raft of measures introduced in the EU's reform package to reach carbon neutrality by 2050.

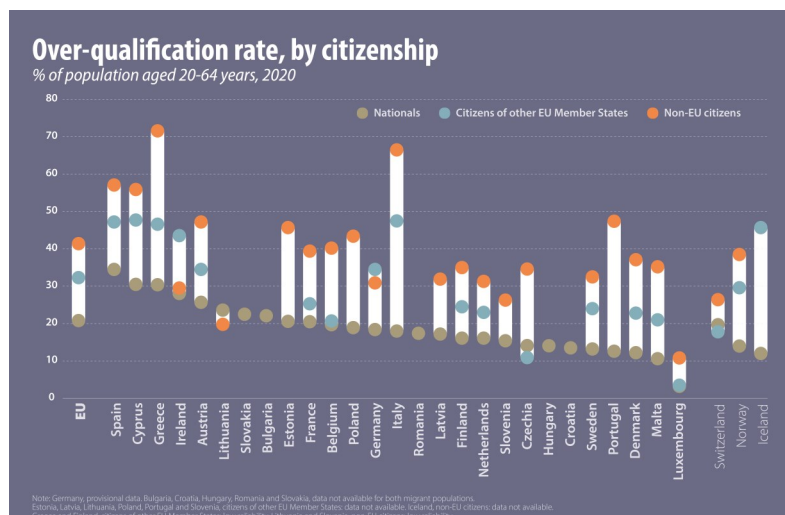
In the Foreign Affairs and Security section, the ground-breaking US-German Nord Stream II agreement and its implications are discussed.

The Finance, Trade & (Digital) Internal Market section covers a wide array of initiatives from the European Commission's adoption of the Eu-



ropean Green Bonds Standard to the Netherlands fining TikTok for not explaining its privacy implications well enough to young Dutch people.

KEY FIGURE



As school holidays end for many, it's worth noting that in most countries across the EU, immigrants in professional roles are much more likely to be overqualified than their local colleagues. This trend is strongest in Greece, Italy and Portugal, and the opposite is only true in Lithuania.

DEMOCRACY AND GOVERNANCE

Katrin Hermann—Permanent Author

This July, the European Commission released the 2021 Rule of Law report, which looks at both positive and negative situations regarding the rule of law across the EU and within specific Member States. Following the statement by President von der Leyen on the violations against LGBTQ+ rights in Poland and Hungary, official legal action has begun. If the matter is not resolved by the two Member States, the Commission may refer them to the Court of Justice of the European Union.

The [2021 Rule of Law report](#), though highlighting several positive developments, acknowledges areas where situations remain worrisome or have become more problematic, mainly in regards to media independence and control of the judiciary. This [report gathers information](#) from all 27 Member States and is not meant to act as a sanctioning mechanism, but as a tool to identify and gather best practices, promoting the rule of law and preventing any violations. The work is focused around four main pillars: the justice system, anti-corruption framework, media pluralism and freedom, and other institutional checks and balances.

The [key findings](#) highlighted that although several Member States are undertaking steps to increase judicial independence, others are adopting reforms to do the exact opposite, increasing executive control over the judicial branch and undermining the judiciary through political attacks. Anti-corruption frameworks are being further built upon and developed, with positive results, but corruption cases are still an issue in some Member

States, with the pandemic slowing down the reform process. A number of Member States are also experiencing a higher level of political interference in the media, undermining their ability to provide accurate and independent information. National [check and balance systems](#) have been important in “increasing the transparency of law making and improving citizen’s participation”. Still, the legislative process has been experiencing challenges, such as the disregard of the primacy of EU law. The Commission stands ready to assist its members in addressing the problems identified in the report.

As mentioned, [infringement procedures](#) have been launched against Hungary and Poland in relation to equality and the protection of fundamental rights. In Hungary, this concerns the recent law on limiting or banning content that “promotes or portrays the so-called ‘divergence from self-identity corresponding to sex at birth, sex change or homosexuality’ for individuals under 18; and a disclaimer imposed on a children’s book with LGBTIQ content”. Poland has not appropriately responded to the so-called “LGBT-ideology free zones” adopted by several of its regions and municipalities given the principles of equality and non-discrimination enshrined in the EU Treaties and Charter of Fundamental Rights. The EU has also adopted an [LGBTQI Equality Strategy](#) which is focused on tackling discrimination and ensuring safety for members of the LGBTIQ community. Poland and Hungary have two months to respond to the Commission.



ENVIRONMENT

Vlad Surdea-Hernea—Permanent Author

Given the European Union objective of achieving [net carbon neutrality by 2050](#), the EC proposed a reform package on 14 July 2021 intended to align existent policy options with objectives agreed upon by all institutional stakeholders. This reform package comes shortly after both the European Council and the European Parliament [adopted the European Climate Law](#) in June 2021, which sets a binding EU climate target of reducing net GHGs emissions by [at least 55% by 2030 compared to 1990](#).

Many of the policy initiatives in Fit for 55 either address the reform and expansion of the EU ETS, or other trans-Union regulations that serve the EU's sustainability objectives, such as the renewable energy directive (RED) or the energy efficiency directive (EED). Some of the non-ETS reforms include the fact that the share of renewables in the final energy demand of EU Member States would need to grow from 32% to 40% in 2030, CO₂ would need to not be sold anymore after 2035, and fuel standards in maritime transportation are set to increase rapidly.

Another large share of policies are related to European carbon markets: reforming and expanding the current ETS (including adding maritime transportation under its scope), as well as designing a new carbon pricing mechanism for buildings and transport. Increasing the coverage of the EU ETS

to account for shipping will be done [progressively](#): ship operators would have to surrender EUAs covering 20% of their GHG emissions in 2023, 45% in 2024, 70% in 2025 and 100% from 2026. A similar approach was adopted in the case of the new carbon market, which will run from 2025 and will grow incrementally, so that the national governments have time to prepare policies against energy poverty.

Lastly, the Fit for 55 package introduces the [carbon border adjustment mechanism \(CBAM\)](#), one of the most anticipated, yet highly controversial, policies that have entered the political repertoire in the last years. This new legal mechanism would target to avoid carbon leakage by putting a carbon price on imports of certain goods from outside the EU.

WANT TO READ MORE?

Vlad Surdea-Hernea has written an in-depth article on the EU's *Fit for 55* goals:

[Whose carbon price is it anyway? Strengthening carbon markets in the European Union through Fit for 55](#)

FOREIGN AFFAIRS AND SECURITY

Freddie Whitlow—Permanent Author

July has proven to be an eventful month for foreign affairs in Europe. On 19 July Ukraine, Moldova, and Georgia all held a tri-Summit in Batumi, Georgia and met with EU Council Chief [Charles Michel](#). This follows up on the 2014 association agreement all three of the EU aspirants signed to put it on a path to full integration. All three of these countries' presidents insisted that no third parties could derail their [desire](#) to eventually join the EU in a not-so-thinly-veiled reference to the Russian Federation. The Batumi Summit resulted in an [official declaration](#) committing to continued cooperation with the EU on full integration and to work for a "peaceful, democratic, and prosperous European future for all three States."

The biggest event was the US-Germany agreement on [Nord Stream II](#). On 21 July, German Chan-

cellor Angela Merkel, and U.S. President Joe Biden agreed that Germany would respond to any Russian attempts to undermine the CEE region or Ukraine and the US would therefore pledge not to follow through on trying to kill the pipeline via sanctions. Part of the agreement also has Germany pledging a [150-million green fund](#) in Ukraine and German investment and support into the Three Seas Initiative. Ukraine has vowed to fight the agreement by taking its case to the European Union. They invoked provisions with their [association agreement](#) with the EU to have consultations with both Germany and the European Council. While consultations are not likely to change the outcome of the US-German deal, it shows that Ukraine is being more assertive with its European and American partners than was expected.

FINANCE, TRADE AND DIGITAL (INTERNAL) MARKET

Mattis Leson —Permanent Author

Although the summer break slowly approaches it has been a busy months in the areas of trade, finance and the internal digital market. On 14 July, the ECB has announced that it will launch a [digital euro project](#). That does not necessarily mean that a digital euro will be adopted. If it is, it is likely that the currency will be stored in digital wallets held by EU citizens in the ECB and not at commercial banks. The Governing Council approved the plan to launch the study phase of this project, which will last two years and be followed by a three-year practical implementation phase.

Earlier this month the European Commission has adopted a number of measures to increase efforts in sustainable finance. *Inter alia* it has adopted the European Green Bond Standard (EUGBS), aiming to set a voluntary gold standard for green bonds, which are increasingly sought out by consumers. This addresses the phenomenon of “green washing”. Executive Vice-President Dombrovskis [stated that](#) the “sustainable Finance Strategy is key to generate private finance to reach our climate targets and tackle other environmental challenges”.

The European Commission announced on 19 July that it will “kick-start” [two new Industrial Alliances](#): the Alliance for Processors and Semiconductor technologies, and the European Alliance for Industrial Data, Edge and Cloud. The two new alliances will boost the next generations of microchips and industrial cloud/edge computing technologies and provide the EU with the capabilities needed to strengthen its critical digital infrastructure, products and services. [Commissioner for Internal Market Thierry Breton said](#): “Europe has all it takes to lead the technological race. The two alliances will devise ambitious technological roadmaps to develop and deploy in Europe the next generation of data processing technologies from cloud to edge and cutting-edge semiconductors”.

On 20 July 2021, the European Commission presented [an ambitious package of legislative proposals](#) to strengthen the EU’s anti-money laundering and countering the financing of terrorism (AML/CFT) rules. The package also includes a proposal for the creation of a new EU authority to fight money laundering. This is because different member states adopt different rules in this area, and many have too few resources to monitor suspicious financial transactions. Indeed, Vice-President Dombrovskis explained that member states [are not applying laws against money-laundering “uniformly”](#).

The European Commission [opened formal proceedings against 23 EU member states](#) for not

adopting landmark EU copyright rules into national law. The copyright rules, drafted two years ago, aim to ensure a level playing field between the European Union's trillion-euro creative industries and online platforms such as Google and Facebook.

Finally, the Netherlands have fined TikTok for 750.000 € [for failing to offer a statement on privacy in Dutch](#). Many children who use the app were unable to understand the terms in English, the authority said. By not offering their privacy statement in Dutch, TikTok failed to provide an adequate explanation of how the app collects, processes and uses personal data.

