



**Northern Ireland
Assembly**

**Committee for Enterprise Trade and Investment
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To: Kathy O'Hanlon
**Clerk to the Committee for the Office of the First Minister and deputy
First Minister**

From: Jim McManus
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Date: 19 January 2016

Subject: European Commission Work Programme 2016

1. At its meeting on 19 January 2016, the Committee for Enterprise, Trade and Investment considered a draft response regarding this Committee's work programme priorities.
2. The Committee agreed to forward the response to the Committee for the Office of the First Minister and deputy First Minister

Jim McManus
Clerk
Committee for Enterprise, Trade and Investment

EUROPEAN COMMISSION WORK PROGRAMME 2016

COMMITTEE PRIORITIES

Committee: **Committee for Enterprise, Trade and Investment**

Background

The Committee considered the RaISe paper 'European Commission Work Programme 2016' at its meeting on 8th December 2015 and agreed to provide a response to the Committee for the Office of the First Minister and deputy First Minister.

Agreed Priorities from the 2016 European Commission Work Programme

Review of Multiannual Financial Framework (MMF) 2014-2020

The mid-term review of the MFF will address how better to target funding on the priorities the EU faces. The review will also look for ways to further orientate the EU budget towards results and simplify the applicable rules (REFIT) e.g. for the European Structural and Investment Funds (ESIF) and the Common Agricultural Policy (CAP), and will explore the scope for further simplification under Horizon 2020 funding.

The Northern Ireland Executive has set a target of securing €145m from Horizon 2020. The Committee will encourage its successor Committee to scrutinise DETI's and the Department for the Economy's operational oversight of the Executive's Horizon 2020 strategy. The Committee will also wish its successor Committee to scrutinise what support for Horizon 2020 is provided through Northern Ireland's National Contact Point network. The new Committee may wish to review the impact of any potential simplification of the Horizon 2020 on Northern Ireland's drawdown targets and the support offered to potential Horizon 2020 applicants.

Next steps for a sustainable European Future

This initiative will set out a new approach to ensure Europe's economic growth and social and environmental sustainability beyond the 2020 timeframe, taking into account the Europe 2020 review and the internal and external implementation of the United Nations Sustainable Goals. Europe 2020 launched in 2010, sets EU wide targets in a range of areas. The European Commission carried out a midterm public consultation on Europe 2020 in advance of a review of the strategy to be completed in 2015.

The Committee will wish its successor Committee to scrutinise departmental oversight of the following targets:

- Increasing investment in R&D to 3% of GDP; and
- Increasing the share of renewable energy in final energy consumption to 20%.

The Committee will wish its successor Committee to also review any future strategy that sets targets in the area of renewable generation and the promotion of innovation and the impact they have on the work of the Department in these areas.

Implementation of the Digital Single Market Strategy

The Digital Single Market Strategy outlined in May 2015 will be taken forward with three sets of actions:

- 1) A Communication on copyright and legislative proposals on profitability, followed by a legislative proposal on copyright and the review of the satellite and cable directive (REFIT), legislative proposals on digital rights, geoblocking, and VAT for electronic commerce (REFIT), and the review of the Regulation on consumer protection cooperation (REFIT);
- 2) Reviews of the telecoms regulatory framework (REFIT) and the audio visual and media service Directive (REFIT), and
- 3) A legislative proposal on the free flow of data.

Telecommunications are a reserved matter and controlled centrally by the Department of Culture, Media and Sport. However, two Digital Single Market Strategy objectives do interact with the work of DETI. It will be appropriate for the Committee to scrutinise the Department's role in each, these are:

- Simplifying consumer rules for online purchases; and,
- Making it easier for innovators to start their own company.

In these areas a review of Regulation on Consumer Protection and Cooperation is expected in 2016, along with the launch of a new E-government Action Plan which will include an initiative on the 'Once-Only' principle and an initiative on mandatory interconnection of business registers. The Committee will encourage its successor to scrutinise the implications of the initiative on the work of DETI and the new Department for the Economy.

Energy Union Package

Following up on the Framework Strategy, the Package is composed of: legislative proposals on electricity market design and the regulatory framework, including the review of the Agency for the Cooperation of Energy Regulators (ACER), and the revision of the Regulation on security of gas supply and the revision of the Decision on intergovernmental agreements; the effort sharing decision and integration of the Land Use, Land Use Change and Forestry

sector (LULUCF) into the 2030 climate framework; a renewable energy package (REFIT), including sustainability criteria for biomass, and an energy efficiency package, including energy efficiency for buildings (REFIT).

The Committee will wish for its successor Committee to follow developments in relation to the Energy Union Package which is focused on a number of areas which impact on Northern Ireland energy policy, including:

- Energy Market Integration – significant in light of the all-Ireland single electricity market (SEM) redesign.
- The internal market's hardware: connecting markets through interconnections – the energy package will seek to improve cross-border gas and electricity interconnection.
- A new deal for consumers – this element of the package seeks to improve choice for consumers and facilitate switching. It also aims to encourage the roll-out of smart meters throughout the EU.
- Climate policy – the energy union seeks to cut greenhouse emissions by at least 40%, increase renewable energy to 27% and improve energy efficiency by 27% by 2030 across the EU.
- Security of supply.

The Committee will wish to make its successor Committee aware of the following significant initiatives that are to be brought forward by DETI in 2016:

- Review of the Directive concerning measures to safeguard security of electricity supply.
- Revision of the Regulation of security of gas supply.
- Communication on Waste Energy.
- Legislative proposals on market designs and regional electricity markets.
- Legislative proposals on the new deal for energy consumers.
- A liquefied natural gas strategy.
- A renewable energy package.

Follow-up to Single Market Strategy

The Single Market Strategy will be taken forward through a number of proposals. Of relevance to the Committee is DETI's actions in the following areas:

Helping SMEs and start-ups to grow; including legislative action on business insolvency; removing administrative burdens on start-ups and growing businesses; the launch of start-up initiative; and improving access to finance to entrepreneurs.

Making the market without borders a practical reality for services including: legislation to introduce a services passport and legislative action to remove regulatory barriers in key business services and construction services.

Addressing restrictions in the retail sector.

Encouraging modernisation and innovations: which includes proposals to modernise European Standardisations; open up public procurement; and modernise Europe's intellectual property system.

The Committee will encourage its successor Committee to scrutinise any interaction with the Department for the Economy in the areas of insolvency, business regulation, encouraging business start-ups and business growth, encouraging trade, and promoting innovation. The European Commission has produced a strategic road map for further action in these areas. The actions themselves will be launched throughout 2016 and 2017. The Committee will wish its successor Committee will review the potential impact of these actions on Northern Ireland as they are published.

Corporate Tax Package

Following up on the communication on a fair and efficient corporate tax system in the European Union; the package includes a set of measures to enhance the transparency of the corporate tax system and fight tax avoidance, including implementing international standards on base erosion and profit shifting, and a staged approach starting with a mandatory tax base (REFIT) together with withdrawal of the existing CCCTB proposal.

The 'rate and date' for corporation tax has been announced – 12.5% from 2018. The Committee will wish that its successor Committee will review this package which may become relevant in light of the devolution of corporation tax powers to Northern Ireland, in providing useful background information on international standards in relation to profit shifting. The initiative proposes a staged approach to any reform and the introduction of a consolidated mandatory tax base. This would mean that corporation tax base i.e. that which is taxed, is made uniform throughout all member states.

Proposal for a Council Directive on a Common Consolidated Corporate Tax Base

As announced in the Communication on "A fair and efficient corporate tax system in the European Union: 5 key areas for action" (COM(2015)302), the Commission is re-launching the work with a new staged approach. The existing proposal will be withdrawn in parallel.

The Committee will wish that its successor Committee to review the re-launching of this work on Common Consolidated Corporate Tax Base which may become significant in light of the devolution of corporation tax to Northern Ireland.

Follow-up to the Trade and Investment Strategy

Against the background of the Trade for All strategy for a more effective and transparent trade and investment policy based on values, the Commission will pursue the TTIP negotiations with the US, as well as make progress at WTO, engage strategically with Asia and ensure that EPAs are well implemented.

The Northern Ireland's Executive's Programme for Government 2011-2015 includes targets to increase Northern Ireland exports by 20% and to attract £375m of Foreign Direct Investment into Northern Ireland. Whilst the current Programme for Government period is coming to an end the Commission Trade for All strategy is significant to Northern Ireland's future trade ambitions. The strategy prioritises:

- Concluding existing trade negotiations – Doha Round of WTO talks, TTIP, the EU-Japan free trade agreement (FTA) and the EU-China investment agreement.
- Instigating new trade negotiations – Free Trade Agreements with Australia, New Zealand, the Philippines and Indonesia and a deepening of the EU's relationship with African partners.
- Modernising existing Free Trade Agreements with Mexico and Chile and the Customs Union with Turkey.

Development in these areas may have the potential to open up new opportunities to Northern Ireland businesses and the Committee will wish that its successor Committee will scrutinise DETI's work around this.

Lifts (Directive 95/16/EC)

The evaluation will cover the scope, the essential health and safety requirements and their links with related conformity assessment procedure.

The Committee will encourage its successor Committee to consider, if appropriate where the outcome of this evaluation impacts upon the work of the Health and Safety Executive Northern Ireland.

Energy Union Reporting Initiative

Fitness Check/evaluations in the area of Energy and Climate Policy in order to assess the consistency and administrative burden of report obligations. EU acquis includes numerous

obligations on Member States to provide information to the Commission, which reports to the other EU institutions. The Commission will carry out a Fitness Check of existing planning and reporting obligations in 2016 including on the inter linkages with the climate obligations. This initiative will assess the extent to which the current obligations are coherent, effective, efficient, relevant and add EU value, as well as to ascertain whether there is potential for simplification and reduced administrative burden. This will feed into the preparations of a proposal for streamlining these obligations, foreseen for late 2016

DETI contributes to the UK's fulfilment of reporting requirements and this therefore has the potential to impact on the Department. The Committee will wish for its successor Committee to scrutinise the Department's role in this.

Review of the European Venture Capital (EUVECA) and European Social Entrepreneurship Fund (EUSEF) regulations.

The legislative review is with a view to improve take up these funds as part of the Capital Markets Union without reducing the level of investor protection. These specialist venture capital investment funds have been available since 2013 but only a small number of funds set up as EUVECA and EUSEF have so far been launched. The Capital Markets Union aims to 'tackle investment shortages head on by increasing and diversifying the funding sources for Europe's businesses and long term projects'. It seeks to promote alternative sources of finance (including capital markets, venture capital, crowd funding and the asset management) as sources of funding for business, particularly SMEs and start-ups.

The Committee will wish for its successor Committee to continue to scrutinise the Department and Invest NI's work in promoting economic growth and encouraging business start-ups and will review how developments in this area impacts upon this work.

Occupational Health and Safety Legislation

This is a follow up to the REFIT Evaluation of Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work and 23 Directives with the aim of increasing its effectiveness and efficiency.

The Committee will wish for its successor Committee to consider any impact on the work of the Health and Safety Executive Northern Ireland by the follow up to, and any legislation emerging from, the evaluation.

Written Statement Directive 91/533/EC

The evaluation of this Council Directive of 14 October 1991 on an employer's obligation to inform employees of the conditions applicable to the contract or employment relationship may impact upon DETI's business regulations function insofar as the outcome of the review adds to or reduces the administrative burden on Northern Ireland businesses.

The Committee will encourage its successor Committee to consider any impact on the work of the Department. Once the Directive has undergone evaluation there will be information available on what scope the REFIT may have and therefore what the exact

Women on Boards

This is a proposal for a Directive of the European Parliament and of the Council on improving balance among non-executive directors of companies listed on stock exchanges and related measures. The UK Government has resisted the introduction of quotas, but has supported voluntary targets under the Women on Boards initiative led by Lord Davies of Abersoch. A 2015 study of the boards of the top 100 companies in Northern Ireland indicated that 15% of directors were women. The equal participation of women in economic life is one of the strategic objectives of the Gender Equality Strategy.

The Committee will suggest that its successor Committee keep a watching brief on the Department's work around this from a business regulation perspective.

Regulation (EU) No 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation of (EC) No 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR)

The regulation is applicable from 09 January 2016 and sets out terms upon which the Commission and Member States will establish and run on-line portal for handling disputes relating to on-line sales or service contracts. The ODR platform will handle domestic and cross border disputes.

While consumer issues are devolved to the Northern Ireland Assembly it was agreed that the ODR Regulation (and associated Alternative Dispute Resolution) would be taken forward on a UK wide basis. The Committee will wish for its successor Committee to scrutinise the implications for the new Department.

Other EU activity planned for 2016

The Committee will wish its successor Committee to:

- Continue to scrutinise the work of ONIEB and its impact on supporting businesses and growing the economy.
- Continue scrutiny of the Department's Broadband Improvement Project.
- Review the work of the Mobile and Infrastructure Project.

The Committee will continue to scrutinise the Department's policy of Contracts for Differences (CFDs).

The Committee commissioned research regarding the possible impact of Britain exiting the European Union. Including a report by the Committee's Specialist Advisor on economic policy entitled 'Consequences for the Northern Ireland Economy from a United Kingdom Exit from the European Union which formed part of the Committee's Inquiry 'Opportunity for Excellence: Growing the Economy and Creating Jobs with Lower Corporation Tax'. The Committee will wish for the successor Committee to continue to take evidence on the issue in advance of the proposed referendum on whether the United Kingdom should remain a member of the European Union.

COMMITTEE ACTIVITY ON 2015 EUROPEAN PRIORITIES

The Investment Plan for Europe

The follow-up actions were to include setting up of the European Fund for Strategic Investments (EFSI), promoting cooperation with National Promotional Banks and improving access to finance for SMEs.

The Committee continued to scrutinise the Department's work to investigate how Northern Ireland SME's can avail of the range of measures to improve access to finance for SMEs. The Committee paid a visit to InterTradeIreland to learn of case studies of InterTradeIreland's support to SMEs.

Mid-term review of the Europe 2020 Strategy

The improved and updated Europe 2020 strategy, was to draw lessons from the first four years of the strategy and ensure it acts as an effective post-crisis strategy for growth and jobs in Europe.

The Committee continued to scrutinise the Department's work on the target to have 40% of electricity consumed from renewable sources and 10% heat from renewable sources by 2020.

The Committee carried out significant scrutiny of the Renewables Obligation (Amendment) Order (Northern Ireland 2015 and the Renewables Obligation Closure Order (Northern Ireland) 2015 and subsequently the proposed closure of the Renewables Obligation to onshore wind.

The Committee continued to scrutinise the Department's promotion of investment in EU sources support for research and development.

Strategic Framework for the Energy Union

The Strategic Framework was to focus on: energy supply security; integration of national energy markets; reduction in European Energy demand; decarbonising the energy mix and promoting research and innovation in the energy field. It will include revision of the EU Emissions Trading System as part of the legislative framework post 2020.

The Committee continued to scrutinise the introduction of the Integrated Single Electricity (I-SEM) and the Department's renewable energy targets.

Internal Market Strategy for Goods and Services

The strategy for a renewed and integrated approach for the Single Market, was to deliver further integration and improve mutual recognition and standardisation in key industrial and services sectors where the economic potential is greatest, e.g. business services, construction, retail, regulated professions, advanced manufacturing and combined services/goods provision. A particular focus will be on SMEs.

The Northern Ireland Economic Strategy seeks to improve Northern Ireland's ability to compete globally. The Committee continued to scrutinise DETI and Invest NI's implementation of the Economic Strategy including increasing exports and the number of exporters; establishing and growing businesses. The Committee held concurrent meetings with the Committee for Agriculture & Rural Development to scrutinise the work of the Agri-food Strategy Board.

Trade and Investment Strategy for Jobs and Growth

A comprehensive review of the EU's trade policy strategy, and in particular its contribution to jobs, growth and investment. The review was to cover all aspects of trade policy, including bilateral, plurilateral and multilateral negotiations as well as autonomous measures and included policy orientations in all these areas for the next five years.

The Committee continued to review the impacts on the Northern Ireland Economic Strategy, for Northern Ireland businesses and for inward investment.

Other EU activity undertaken in 2015

In January 2015, the Committee enquired of the Department how it was taking advantage of the European Investment Fund and received an update regarding DETI's Telecoms Branch and Energy Division Branch on the issue.

As part of its Inquiry 'Opportunity for Excellence: Growing the Economy and Creating Jobs with Lower Corporation Tax', the Committee commissioned a report, by its Specialist Advisor on economic policy, on the 'Consequences for the Northern Ireland Economy from a United Kingdom Exit from the European Union. The paper was shared with the Northern Ireland Executive.