Ageing population, emerging technologies and fiscal sustainability can influence EU's path to sustainable future

Reaching Europe's goal of a sustainable future faces many hurdles. The EEA report 'The sustainability transition in Europe in an age of demographic and technological change' explores fiscal and financial strategies posed by an ageing European population and by the technological transition, which is neither guided by nor primarily concerned with sustainability aims. The consequences of the demographic transition may be eased by the introduction of new technologies as they can support the economy amid a shrinking working force.

The EEA report says the demographic and the technological transitions could dominate not only fiscal and financial systems but may also affect European environmental policy plans meant to shift the EU to a sustainable future. The release of the EEA report follows a European Commission report on the impact of demographic change.

The EU has already embarked on a path towards carbon neutrality. This involves a fundamental transformation of the food, energy and mobility systems which is a key part of the European Green Deal and its wide range of specific strategies and proposals. Both fiscal and financial policy instruments have a critical role to play in this transition – from enabling experimentation and innovation and correcting market incentives to ensuring a fair share of the costs and benefits across society, the report finds. However, the fiscal and financial systems could potentially face significant difficulties due to the social and economic changes brought by changing demographics and new technologies.

So how will this impact Europe's environmental policy targets and goals? The report builds on previous EEA work on the green economy and the sustainability transition, analysing how policymakers can better prepare for the challenges posed by demographic and technological transitions. The report highlights how these transitions have direct connections to the environment and how they have important indirect connections to sustainability strategies through the fiscal and financial systems. Key areas analysed in the report include the limits of green technologies and eco-innovation, fiscal competition among public policy areas and how this threatens the transition, and the role of sustainable finance for the transition process.

An ageing population, evolving technologies, fiscal systems and the environment

The ageing of Europe's population will lead to changes in the level and composition of consumption. For example, an older population is expected to consume more house- and home-related services, but less transport-related services. This will result in changes in energy consumption and emissions. An ageing EU population is also expected to have a negative effect on fiscal sustainability because it can increase the need for spending on social protection and health, while also threatening to erode the tax base through a reduced labour force. Population ageing will therefore have diverse, interrelated effects on sustainability transitions and on the public institutions that seek to navigate societal change.

Gains in resource efficiency and decarbonisation of the economy are expected to arise from technological innovations especially when combined with social and policy innovations, for example, in the circular and sharing economies. However, the report cautions that there are certain drawbacks to be considered. Productivity gains could worsen labour substitution, increasing the pressure on government budgets through a shrinking tax base. This in turn affects government spending and investments.

Additionally, increased artificial intelligence technology and automation, used in self-driving cars and sharing platforms, may be not as environmentally sound as expected. These emerging innovations may require large amounts of additional energy or have uncertain effects on the demand for resources.

In coming decades, demographic changes as well as achieving stricter EU environmental and climate policy targets are expected to erode current tax bases. Public finances will play a major role in enabling sustainability transitions through investments in innovation, infrastructure and ecosystems but these will compete with expanding demand for spending on areas such as pensions and health.

Overall, in this multiple-transition setting environment and climate actions can be seen to take up a more central position in macro-level economic, financial, fiscal and social policies. This, in turn, could enable Europe to achieve a "just" sustainability transition in coming decades that addresses social, economic and environmental objectives in a balanced and fair way across society.

Article – Foreign takeovers in Covid-19 crisis: MEPs push for level-playing field

In a plenary debate on 17 June, MEPs expressed concerns that foreign companies receiving subsidies from their governments may try to gain a competitive edge on European companies or even buy them out taking advantage of their financial difficulties in the Covid-19 pandemic.

The European Commission announced earlier that day the launch of a public consultation on how to deal with the distortive effects in the Ssngle market caused by foreign subsidies. Most MEPs speaking in plenary supported the initiative and emphasised the need for fair competition.

The Commission's consultation looks at general market distortions caused by foreign subsidies, but also focuses on foreign subsidies facilitating the acquisition of EU companies or providing an unfair advantage in bidding for public procurement.

Christophe Hansen (EPP, Luxembourg) said "China is not the only state on a shopping spree for companies weakened by the impact of the pandemic", but it is "the elephant in the room in this debate". "If we are to keep up public support for our trade policy, we must equip it with the tools to enforce fair competition," he added.

"The economic impacts of the coronavirus cannot be used to profit from the weaknesses of businesses," said Agnes Jongerius (S&D, Netherlands), adding: "We can't just look on as companies receive unfair subsidies and use them to buy our companies."

"Imagine a football match where the foreign side follows rules that are much easier than those on the home side," said Stéphanie Yon-Courtin (Renew Europe, France). "What's the point of even watching the match, because you know ahead of time who's going to win."

In a report on EU competition policy drafted by Yon-Courtin and adopted in plenary on 18 June, MEPs underlined the need to safeguard critical EU companies and assets from hostile takeovers.

Some MEPs called for strengthening the rules on screening foreign direct investment in the EU. The EU adopted a legal framework on this in 2019. The aim is to make sure that investment does not pose a threat to critical infrastructure or allow access to sensitive information or key technologies. The rules will come into force in October 2020.

Margrethe Vestager, the Commission's executive vice president, stressed the lack of transparency in foreign subsidies: "Right now, European governments are doing the best they can to help businesses come through the damage that the coronavirus is doing, but they do that in a controlled way, they do that in a transparent way… The reason why we're dealing with foreign subsidies is that we have no control, no transparency and that is why we stand up against this today."

EIB supports SMEs in Austria

- **EU bank provides €100 Millionen for projects in climate protection and innovation**
- **Raiffeisenlandesbank OÖ matches investments with €100 Millionen**
- **Part of the money goes to businesses, where women play a leading role**

The European Investment Bank (EIB) is providing a €100 million global loan to Raiffeisenlandesbank Oberösterreich (RLB OÖ). "We want to use these funds to help small and medium-sized enterprises (SMEs) invest, focusing particularly on climate action and innovation projects and on sustainability. Despite the current COVID-19 situation, we must not lose sight of the future – sustainability is therefore playing an increasingly important role for us," said Heinrich Schaller, CEO of RLB OÖ. A portion of the funds will also go towards promoting investments in companies with female leaders. The idea behind this comes from an EU pilot project in the banking sector that aims to enhance women's participation in management.

"Supporting SMEs is one of the EU bank's priorities. These are the businesses that create jobs and that drive the economy. In the challenging economic environment we find ourselves in today, it is vitally important that we give SMEs access to fresh funding," said Andrew McDowell, the EIB Vice-President responsible for Austria. "The EU bank has worked closely with RLB OÖ for many years. As the EU's climate bank, we very much welcome this opportunity to strengthen our partnership while focusing on climate action projects."

"We also hope that through this collaboration, we can help enhance the role of women in Austrian SMEs." This €100 million loan comes on top of several other agreements concluded between RLB OÖ and the EIB in the past.

Background information

About the RLB OOE

Raiffeisenlandesbank Oberoesterreich (RLB OOE) is the fifth largest bank in Austria with a balance sheet total of EUR 44.4 billion and services retail, corporate and institutional customers in Austria as well as in Southern Germany. RLB OOE works with a large number of customers that are focused on exporting goods and services and supports this business in promising, interesting markets through a global network of partner banks. An experienced and knowledgeable team of specialists guarantees professional and smooth handling with regards to export financing, risk mitigation, company incorporations, account services, cash management solutions, overdraft facilities, project finance etc. As a group with an extensive equity portfolio of approximately 350 participations, RLB OOE is well diversified and has strong ties with the real economy. Additionally, RLB OOE is not only a strong banking partner for globally successful domestic flagship companies but is also a stable and reliable core shareholder.

Serbia: EIB provides €30 million to UniCredit Bank Serbia to improve social impact of SMEs


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- **The first impact finance loan for Serbian SMEs**
- **This highly innovative EIB operation aims to support employment, sustainable and inclusive development and economic resilience**
- **The funds will be available to companies committed to improving their businesses’ positive social impact**

The European Investment Bank (EIB) and UniCredit Bank Srbija A.D. (UCBS) have signed the first €15 million tranche of an innovative €30 million impact finance loan to help Serbian small, medium and mid-cap companies to improve the social impact of their businesses in areas such as gender equality, youth employment and social inclusion.

The loan from the EU bank is being complemented by a €4 million grant provided under the EIB’s Economic Resilience Initiative (ERI). The grant will reward companies that meet specific targets to foster women’s employment and entrepreneurship, youth employment and professional development as well as the social inclusion of underserved or vulnerable demographic groups (e.g. minorities, people with disabilities, refugees, etc.) who often face additional barriers to entry in the job market. Under the scheme, a set of social impact goals will be agreed with the companies that borrow the EIB funds through UCBS and a financial reward will be distributed to those who meet such targets, encouraging them to include and support employees from more vulnerable groups and ensure their training and long-term retention.

This is the first EIB private sector loan under the ERI in the Western Balkans, contributing to the overarching objectives of promoting sustainable growth and supporting economic resilience. The EIB will also provide technical support for the preparation and implementation of the projects, helping to achieve the intended social impact objectives.

On this occasion, **President of the EIB Werner Hoyer** stated: "We are delighted to support the introduction of innovative financial mechanisms in Serbia to support faster economic development in the country. This loan marks the beginning of a new way of lending to SMEs with far-reaching benefits for social development and the inclusion of people from the most vulnerable groups in the job market. It awards those SMEs who want to grow in a sustainable and inclusive way and allows even more people to benefit from economic development. This is a new chapter in our decades-long support for SMEs, economic and social growth, and the regional and EU integration of Serbia, and is a reaffirmation of our commitment to help Serbia develop faster."

Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A., said: "To do well, we also have to do good. At UniCredit, all our actions are guided by clear value, such as the importance of actively supporting our communities. Thanks to our Social Impact Banking initiative we make investments that have a positive impact on society. The EIB agreement, signed today, will allow us to further support the small and medium businesses that make up foundation of the Serbian economy and that will support the country's future growth."

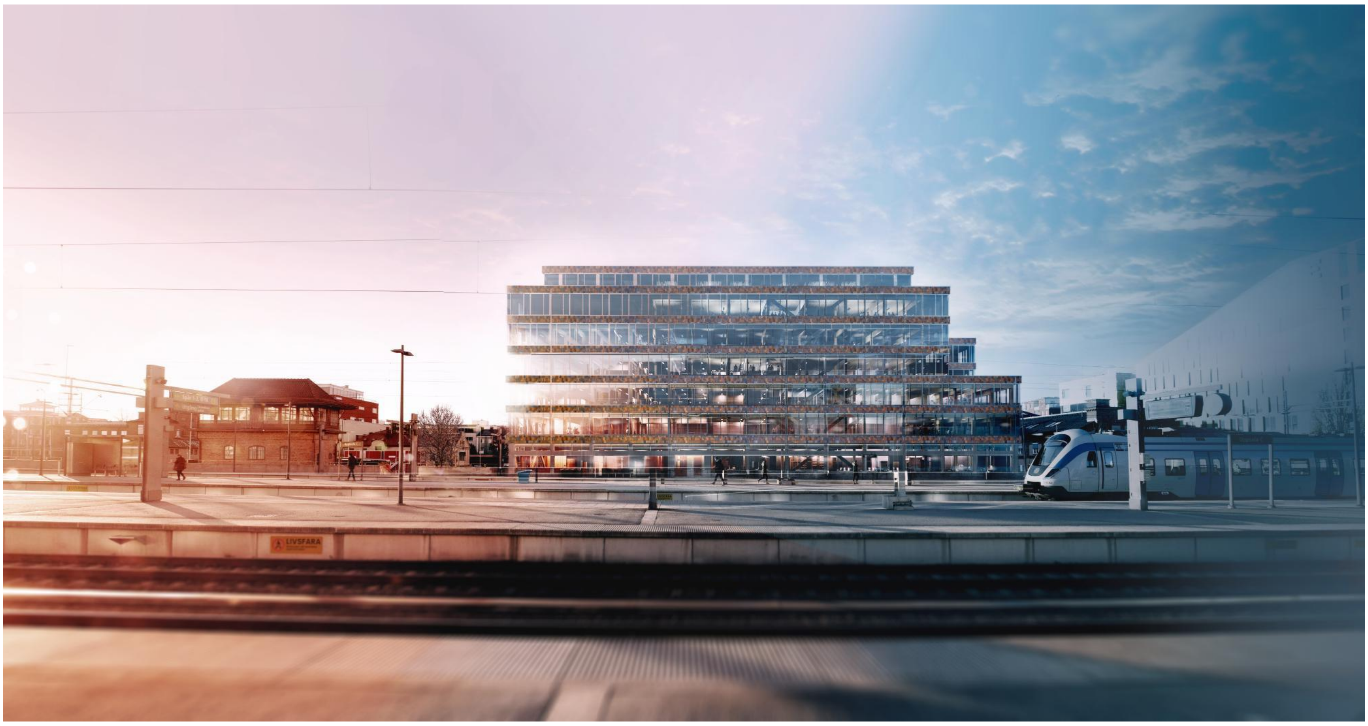
This operation, focusing on the private sector, will generate superior developmental impact than conventional operations. This will be possible through the combination of ERI funds, European Commission support and the EIB funds and expertise in this sector. This deal reaffirms our commitment to the Western Balkans as well as our leading financier role within Team Europe. It will be a blueprint for future operations led by our ambitions in the impact finance business.

Vice-President of the EIB, Dario Scannapieco, said: "The EIB is proud to introduce this new innovative loan to Serbia which will help companies provide employment opportunities to more vulnerable groups, for both inclusion and sustainable development. Retaining jobs and liquidity is essential to enhancing growth in the post COVID-19 phase and the EIB will continue to upscale its support to make sure Serbia recovers as quickly as possible, continuing its path towards full membership to the European Union. This performance-based incentive loan is significant for the EIB as it makes it possible to enhance socio-economic impact and reward the best business practices in the private sector, supporting the change Serbia can benefit from."

CEO of UniCredit Bank Srbija A.D., Feza Tan, stated: "We are very proud that European Investment Bank has recognised all the efforts of UniCredit Bank in developing a fairer and inclusive society. Being the first bank in the Western Balkans to sign a loan agreement under European Resilience Initiative carries with it a great responsibility. We want to be a driver and facilitator of change in order to improve our society. This cooperation will enable us to support companies with strong social mission in their efforts to tackle both hard to employ and vulnerable categories. In this way, together, we will develop a more equitable and sustainable society."

In the last 10 years alone (2009-2019), the EIB has invested €1.87 billion into the private sector in Serbia, supporting over 11 000 companies and retaining over 320 000 jobs.

Sweden: Vasakronan signs a SEK 2 billion green energy loan agreement with the EIB



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The EIB green energy loan facility is unsecured and provides Vasakronan with flexible financing with a maturity of up to 10 years. Vasakronan has the option of drawing the loan over a three-year period in several tranches. The loan facility supports the new construction and renovation of five properties, all of which have a low energy consumption and climate impact.

The properties to be newly constructed or refurbished are located in different parts of Sweden, and are set to drastically reduce the energy consumption and CO2-emissions of the buildings. All buildings will be environmentally certified to LEED Platinum, with only one project (Nöten) certified to LEED Gold, meaning all properties will have innovative and effective solutions for such matters as energy consumption.

“The recovery from the current crisis must be green.” added **Thomas Östros, EIB vice-president**. “In many parts of the world the lockdown has shown us powerful images of what a decarbonised world could look like, and we need to invest to make that a reality. The EIB has supported many energy efficiency projects in Sweden already and we are happy to once again support Vasakronan with this important step towards energy-neutral buildings."

"The occupancy rate in the projects being financed by the EIB have already reached over 80%, and the majority of the tenants are from the public sector. Together with extensive climate efforts, this provides stability, which is valued at a premium in the market, especially in worrying times," says **Johanna Skogestig, CEO of Vasakronan**.

About the properties

Celsius, 10,200 square metre new construction allocated over seven floors in Uppsala Science Park. Ready for occupancy 2020/2021. Largest tenant: The Swedish Food Agency

Nattugglan on Södermalm in Stockholm encompasses 15,000 square metres of new construction allocated over seven floors. Ready for occupancy 2022. Largest tenant: Tyréns.

Magasin X in Uppsala, a unique building in many ways and Sweden's largest office property with a frame made entirely of wood. The property is being constructed at a prime central location beside Uppsala Travel Center. 11,500 square metres allocated over seven floors. Ready for occupancy 2021. Largest tenants: The Swedish Tax Agency, Ramboll.

Nya Kronan in central Sundbyberg encompasses a total of 42,700 square metres allocated over two new buildings and one existing building undergoing renovation. Ready for occupancy 2021. Largest tenant: The Swedish Tax Agency.

Nöten in Solna comprises the total renovation of four existing buildings that are linked together through a new separate building. The project encompasses a total of 26,000 square metres allocated over nine floors. Ready for occupancy 2020. Largest tenant: The Swedish Council for Higher Education (UHR), Statistics Sweden.

Background information:

Since 2008, **Vasakronan** has focused on delivering a high and stable long-term return, but never at the cost of humanity or the environment. Diligent and structured work has made it possible to halve energy consumption in the property portfolio and to lower carbon emissions from own operations by almost 100%. 85% of the company's property portfolio is environmentally certified, of which 72% is certified to Leed's highest levels of Gold or Platinum.

In 2013, Vasakronan issued the world's first green corporate bond. In 2017, the first green bank loan was signed with the EIB and since then, the company has broadened its investor base through the inclusion of green commercial paper. At the end of the last quarter, 52% of Vasakronan's financing was green.