

EU Sustainable Energy Week in Armenia – EIB and multi-donor fund E5P spearhead the rehabilitation of kindergartens in Yerevan



- A pioneer project in Armenia will make buildings more energy efficient and resilient to earthquakes
- Almost 150 kindergartens will benefit from the EUR 5m grant from the Eastern Europe Energy Efficiency and Environment Partnership (E5P) to which the European Union is the largest contributor
- The project is jointly implemented by the EIB, the Municipality of Yerevan, the Green Climate Fund and UNDP
- The grant completes the EIB loan of EUR 7m signed in 2017

The European Investment Bank (EIB) signed today with the multi-donor fund E5P and the Municipality of Yerevan a pioneering grant agreement of EUR 5m to support an unprecedented upgrading of public buildings in the Armenian capital, Yerevan. The Eastern Europe Energy Efficiency and Environment Partnership, or E5P, is a EUR 200m fund supporting municipal investments in energy efficiency and environmental projects in the Eastern Partnership

countries*.

The E5P grant represents support additional to the EUR 7m EIB loan signed in December 2017 to help the Municipality of Yerevan finance energy efficiency improvements in public buildings. The grant will finance projects that will increase the energy efficiency and the resilience to earthquakes of kindergartens: 29 kindergartens will be fully renovated, while 118 will benefit from a lighter renovation, namely energy efficiency measures subject to satisfactory preliminary studies. This will create a much safer and caring environment for approximately 34,500 people, including pupils, teachers and staff members. It will result in primary energy savings of 27,800 MWh a year, reduce CO₂ emissions by 5,502 tonnes a year and significantly decrease other greenhouse gas emissions. This will contribute to climate change mitigation and reduce Yerevan's municipal budget expenditures for energy services by EUR 1.1m. In addition, it will generate local and regional economic activities, particularly in the construction industry, and therefore support the development of private sector businesses.

EIB Vice-President Vazil Hudák commented: *"The EU bank, together with its partners, is making a real difference for the people of Armenia. We encourage projects like this one that help to improve the environment and therefore also the quality of life. The 147 Yerevan kindergartens will show the way on energy efficiency and savings because the cheapest energy is the one we avoid generating".*

Head of EU Delegation H.E. Piotr Antoni Switalski stated: *"Energy efficiency is the cheapest energy as it's the one on which money is not spent! New technologies can generate cleaner energy and create jobs, while mobilising stakeholders from the government, international financial institutions, municipalities, civil society and citizens will be the key task for scaling up reforms and investments. The EU has been and will continue supporting energy efficiency measures in Armenia, including for the 21 signatory municipalities of the Covenant of Mayors and more than 6,000 households which have benefited from EU-funded projects. The proposed E5P grant of EUR 5m will thus make affordable the implementation of the refurbishments and renewable energy measures, support Armenia's investment efforts in demand-side energy management, ensure strong economic impacts at the municipal budget level, and bring positive social and environmental benefits. The EU believes that with a successful large-scale pilot like the one proposed, other cities/actors will be willing to invest as well."*

Mayor of Yerevan Taron Margaryan noted: *"Yerevan Municipality highly appreciates the projects implemented with the financial assistance of the European Investment Bank and European Union. The cooperation in various spheres of the urban economy is important for the development of Yerevan's infrastructure. Through the EIB loan public buildings will be renovated, and in the first stage we will refurbish the majority of the municipality's kindergartens, which is very important for us as children are our future. The project will be a pioneer in Armenia: as it contains energy efficiency and seismic resilience component. Yerevan Municipality is highly committed to participating in the funding of the project along with the EIB, E5P and GCF, and with the signing of the E5P Grant Agreement the implementation of the*

project is entering into a realistic phase. I would like to emphasize that all of the projects which are under way will have very positive impact and are aimed at improving the well-being of the residents of the capital and I hope that similar projects will be continuous.”

The Grant Agreement signature took place today in 110 Kindergarten Yerevan. The children and teachers of the kindergarten attended the ceremony, together with the representatives of the diplomatic representations of the EU in Armenia and the EU Member States, and Yerevan Municipality and RA Government. The event was organised under the **EU4Energy Initiative** and in the context of **the EU Sustainable Energy Week**, which is the biggest energy efficiency event in Europe, aimed at encouraging citizens and stakeholders to discover and debate the major issues driving the transition to sustainable energy.

The project was developed thanks to the results of a study on energy efficiency and renewables financed by the technical assistance grant support from the Eastern Partnership Technical Assistance Trust Fund (EPTATF).

* Eastern Partnership covers Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

[Yves Mersch: Central bank risk management in times of monetary policy normalisation](#)



EUROPEAN CENTRAL BANK

EUROSYSTEM

Speech by Yves Mersch, Member of the Executive Board of the ECB, at the International Risk Management Conference, Paris, 8 June 2018

Risk management has come a long way since Edward Altman introduced the z-score to measure the likelihood of bankruptcy in 1968, and the financial crisis has brought about significant changes in risk management for commercial banks and central banks alike.

But as we now emerge from the crisis, we would do well to reflect on what should persist from that period, and what the “new normal” for risk management should be. So today I would like to discuss what risk management has meant for the ECB in recent times, and what changes we can expect as we approach a phase of monetary policy normalisation.

But before I elaborate on this, I should note that we have entered the quiet period before the next monetary policy meeting of the ECB Governing Council, and therefore my remarks should be understood as high-level reflections and not be interpreted as containing any commitments or comments on upcoming monetary policy decisions.

Parallels between risk management at commercial and central banks

Risk management has gained in importance in recent years for both commercial and central banks.

The regulations that emerged following the crisis have led commercial banks to bolster their risk functions in a number of ways. They are now subject to more detailed and demanding capital requirements, higher standards for risk reporting and, in particular, more detailed rules for the building of internal models. More recently, the Targeted Review of Internal Models (TRIM) was launched to assess banks’ compliance with these requirements and thereby reduce inconsistencies and unwarranted variability in the outputs of their internal models.

The ECB’s involvement in risk management is perhaps most familiar in this context: as a banking supervisor. But the management and measurement of risks has also been of great significance for the monetary policy side of our operations. The ECB, like other central banks, has expanded its balance sheet substantially in recent years, resulting in several changes in our risk management framework. For example, we have expanded the range of eligible collateral for our lending operations and begun purchasing financial assets outright, including a wide array of private sector assets.

While there are many parallels in the way that we and the commercial banks have managed risks, there are also important differences due to our public mission as laid down in our mandate.

First, we conduct a single monetary policy for the euro area as a whole.

Though our credit operations and risk mitigation measures are in some ways similar to collateralised lending operations by commercial banks,^[1] the financial assets we take as collateral and the lending rate we set are the same for all borrowers. That, in turn, requires a risk control framework which aims to achieve risk equivalence across all assets accepted as collateral.

Second, our primary goal is to maintain price stability. So, unlike commercial banks whose fiduciary responsibility is to maximise their financial income, central banks have to consider the wider macroeconomic picture when they set their risk management frameworks.

This is why central banks' exposure to financial risks can – and may indeed have to – increase in order to honour their mandates, while commercial banks typically aim to reduce risks during crises. In exceptional times, central banks may need to take more risk on their own balance sheets so as to reduce risks for the financial system as a whole. This contributes to financial stability and, ultimately, to price stability.

Still, this is not to say that managing financial risks is not important for implementing the Eurosystem's monetary policy. Quite the opposite, in fact! Just as a commercial bank must comply with its regulations, a central bank must follow its mandate and the risk management principles therein.^[2] For us at the ECB, these principles, which were established long before we embarked on non-conventional policies, underpin all our policy measures.

Broadly speaking, the principles are protection, consistency, simplicity and transparency. They imply that – if there are several monetary policy options that we can take to fulfil our mandate – we should select the measures that minimise our own exposure to financial risks. This idea, which underpins all risk management (including in commercial banking), is known as risk efficiency. In addition, our principles require risk management to be an integral part of our decision-making. And we embody transparency and simplicity by being rules-based and as predictable as possible in our operations.

This commitment to risk efficiency is vital for several reasons. First, central bank revenues are public funds, meaning any losses by central banks are losses for the public purse in each euro area country. Second, losses can affect the financial independence of central banks and therefore, potentially, their operational independence. Third, losses can harm our credibility and reputation in the eyes of the public, and thus their confidence in the central bank to maintain price stability.

For these reasons, our principles will continue to guide our approach to risk management in all our policy decisions. But as we now move towards a new phase of monetary policy, it is worth reflecting on what these principles imply for the future risk management framework.

In my view, we should aim to return as closely as possible to the pre-crisis state. But we also need to consider carefully whether some of the temporary measures should remain part of our toolkit. And since we have taken on new

risks that will be on our balance sheet for a long time, we may need to retain certain elements of our current risk management framework.

As monetary policy begins to normalise, there are three areas in particular where our risk management framework needs to be reviewed.

Risk management principles while returning to a more conventional monetary policy

The first relates to the changes we made to our collateral framework during the crisis to enable greater access to central bank liquidity.

When we launched the various vintages of our longer-term refinancing operations, we introduced in parallel a number of adjustments to our collateral eligibility criteria. These adjustments contributed to the sizeable take-up of our operations and their effectiveness in reinvigorating the bank lending channel. And maintaining risk equivalence in haircuts meant that broadening the set of eligible assets did not reduce the level of protection for the Eurosystem.

But some of the measures introduced fragmentation into our collateral framework.

Before the crisis, the Eurosystem operated on the concept of a single list. Its purpose was to enhance the level playing field across the euro area, to promote equal treatment for counterparties and issuers, and to increase the overall transparency of the collateral framework. This changed, however, with the introduction of the temporary additional credit claims (ACC) framework in 2012.^[3]

The temporary ACC framework deviates from the single list principle by allowing individual national central banks to specify their own frameworks adapted to their local needs, albeit fulfilling certain agreed minimum risk management requirements. This was acceptable to combat the severe financial tensions and the uneven distribution of collateral in the euro area at the time ACCs were introduced. But clearly, once out of crisis mode, we would not want such a renationalisation of our collateral framework to persist.

So I do not see the case for maintaining national extensions to the common collateral framework in the form they are in today. At the same time, since ACCs represent a considerable source of collateral for our long-term lending operations, there might be a case for retaining them in a different form.

One option would be to return to the fully fledged single list of collateral that excludes ACCs. Another would be to introduce stronger harmonisation into any future ACC framework, which could either be part of the regular framework or part of a state-contingent framework. The key issue is that any future framework should remove the fragmentation we see today.

Other temporary measures introduced during the crisis have less bearing on fragmentation. For instance, we also widened eligibility requirements for

collateral, such as for certain asset-backed securities, and accepted non-euro denominated collateral.^[4] We did all this to achieve a specific monetary policy goal; but once we reach that goal and liquidity demand declines, there should be less need for those exceptional measures to continue. Of course, they will remain “on the shelf” to be used again, as necessary, to fulfil our monetary policy aim.

A central bank should be flexible and may need to have many instruments at its disposal to achieve its mandate. But it should not take higher risks than necessary.

So as we head down the path of monetary policy normalisation, we will have to decide whether some temporary measures need to be jettisoned, included in a state-contingent framework, or transformed into harmonised, more permanent measures.

Since the last of our long-term lending operations will only mature in the first quarter of 2021, this discussion does not need to be concluded today – and many questions are still open. But in any case, changes in this area will involve careful consideration, since experience has repeatedly shown that each crisis needs a tailored response.

The second area where our risk management framework needs to be reviewed is the risk control framework for our asset purchase programme (APP).

We will retain this framework beyond the horizon of our net asset purchases since, for an extended period of time past that horizon, principal payments from maturing securities purchased under the APP will be reinvested. For as long as we keep outright portfolios on our balance sheet, the principles behind the risk control measures, including eligibility criteria, purchase limits, benchmarks ensuring diversification and the different risk-sharing agreements, will continue to apply.

Still, in the reinvestment phase, some criteria and risk control parameters may warrant recalibration. This is to ensure that – given changes in portfolio composition when bonds mature and proceeds are reinvested – overall risk exposure does not increase. Moreover, with significantly lower volumes of purchases and the related increase in operational flexibility, some parameter adjustments may be possible that would actually contribute to risk efficiency gains.

The third area for review is how our counterparty and collateral framework should adapt to a post-crisis financial system. Certainly, in the future we will rely more on our own judgement on the quality of assets and counterparties and consider further expanding the Eurosystem’s internal credit assessment capabilities. The crisis highlighted the importance of having more information on these aspects.

This implies, among other things, further enhancing our due diligence on external credit ratings, for which greater transparency on the judgements underlying these ratings is essential. And it implies making better use of supervisory information. The introduction of European banking supervision has

brought about fundamental improvements in this regard, as it facilitates the assessment of relevant information within the legal limits of the separation principle.

Moreover, we will have to balance the aim of returning to the simplicity of our previous framework with adapting to the new realities of the financial system. For example, we will need to keep the flexibility to apply the collateral framework to financial innovations, especially complex new financial products. The new “simple, transparent and standardised” securitisation regulation is a case in point. It will allow us to better assess the collateral we accept.

At the same time, if financial innovations simply present new types of risks, we will not be so accommodating. This is also a key lesson of the crisis. We will forcefully deal with new types of securities whose risks may not yet have been fully appreciated.

Conclusion

Let me conclude.

Thanks to our stable principles, the Eurosystem’s risk management framework has successfully weathered the challenges of the financial crisis. The size and type of our operations changed, as did the assets we accepted as collateral. But our principles stayed the same.

Like risk management in the banking sector, central bank risk management has to evolve with the times. So we need to reflect on where our principles will lead us in a post-crisis landscape. Most importantly, we need to start thinking about a financial risk management framework that will be appropriate in an environment of more conventional monetary policy.

While the benchmark for this future framework should be the pre-crisis state, it is not clear whether we can return entirely to the previous status quo. Instead, we might have to apply what we have learnt from the crisis, retain what is useful for the future, and leave behind things whose time has passed.

This will enable us to rely on a framework that is transparent and robust, but also flexible enough to deal with the challenges of the future.

[Weekly schedule of President Donald Tusk](#)

Press contacts

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Thursday 7 June 2018

Charlevoix, Canada (local time)

19.30 Meeting with Prime Minister of Canada Justin Trudeau

Friday 8 June 2018

G7 Summit in Charlevoix, Canada (local time)

08.30 Meeting with Prime Minister of Italy Giuseppe Conte

10.00 Joint press briefing with European Commission President Jean-Claude Juncker

10.30 Meeting with French President Emmanuel Macron, German Federal Chancellor Angela Merkel, UK Prime Minister Theresa May, Italian Prime Minister Giuseppe Conte and European Commission President Jean-Claude Juncker

11.45 Official welcome by Prime Minister Justin Trudeau

12.30 Working lunch

14.00 Family photo

15.00 Working sessions

18.30 Working dinner

Saturday 9 June 2018

G7 Summit in Charlevoix, Canada (local time)

08.00 Working breakfast with Gender Equality Advisory Council

09.00 Signing of the scroll

09.30 Working sessions

12.15 Working sessions with outreach partners

13.30 Family photo with outreach partners

13.45 Working lunch with outreach partners

Wednesday 13 June 2018

10.00 Presentation of letters of credentials of ambassadors

11.00 Meeting with President of Croatia Kolinda Grabar-Kitarović (photo opportunity)

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[Digital Single Market: updated audiovisual rules](#)

Modernisation of the [Audiovisual Media Services Directive](#)

Why was the Audiovisual Media Services Directive (AVMSD) revised?

The media landscape has shifted dramatically in less than a decade. Instead of sitting in front of the family TV, millions of Europeans, especially young people, watch content online, on demand and on different mobile devices.

- Children are watching less traditional TV: the average daily viewing time for young Europeans was 2 hours in 2014 i.e. about half as much as the average viewer ([source](#)).
- Global internet video share in consumer internet traffic is expected to increase from 64% in 2014 to 80% by 2019 ([source](#)).

Taking these new developments into account, as well as the Commission proposal to review the Audiovisual Media Services Directive (AVMSD), the European Parliament and the Council reached yesterday a political agreement on the revised rules. This paves the way to creating a regulatory environment that is fairer for all players in the audiovisual sector, including more flexibility to broadcasters in terms of advertising, protecting minors and tackling hate speech in all audiovisual content, better promoting European audiovisual productions and ensuring the independence of audiovisual regulators.

Which type of audiovisual media services are covered by the new Directive?

The existing rules already cover traditional TV broadcasters and video on-demand services. In the updated rules the scope of application has been extended to also cover video-sharing platforms.

What does the Directive consider to be a video-sharing platform?

In the revised Directive, a video-sharing platform is defined as a commercial service addressed to the public:

- where the principal purpose of the service (or an essential functionality of such service) is devoted to providing programmes and user-generated videos to the general public, in order to inform, entertain or educate;
- which is made available by electronic communications networks; and
- where the content is organised in a way determined by the provider of the service, in particular by displaying, tagging and sequencing;

This means that services such as YouTube will fall under the scope of the revised Directive. Audiovisual content shared on social media services, such as Facebook, will also be covered by the revised Directive.

While newspaper websites remain outside the scope of the Directive, standalone parts of newspapers' websites which feature audiovisual programme or user-generated videos will be considered as video-sharing platforms for the purpose of the AVMSD. However, any occasional use of videos on websites, blogs, news portals will be outside the scope of the Directive.

What are the new obligations for video-sharing platforms under the revised Directive?

Member States should ensure that video-sharing platforms put in place

measures to:

(i) protect minors from harmful content (which may impair the physical, mental or moral development); access to which would have to be restricted; and

(ii) protect the general public from incitement to violence or hatred and content constituting criminal offences (public provocation to commit terrorist offences, child pornography and racism or xenophobia).

Implementation of the new regime via co-regulation would be encouraged: the proposed rules provide basic requirements and partners who share responsibility and contribute to fulfilling the objectives.

The measures listed in the Directive that video-sharing platforms will need to put in place complement the E-Commerce Directive: this includes flagging and reporting mechanisms, age verification systems, systems to rate the content by the uploaders or users, or parental control systems, as well as clarification in the terms and conditions of the platform of a prohibition for users to share the content citizens should be protected from.

In addition, under the revised Directive, video-sharing platforms would also have to respect certain obligations for the commercial communications they are responsible for and to be transparent about commercial communications that are declared by the users when uploading content that contains such commercial communications.

Member States are able to adopt stricter rules for video-sharing platforms under their jurisdiction. Any measures under the new rules will need to remain compatible with the liability exemption for digital intermediaries provided in the E-Commerce Directive.

What is the country of origin principle? How will it be improved?

The aim of the country of origin principle is to protect media service providers established in one Member State from restrictions imposed by other EU Member States receiving their services. Audiovisual providers do not need to comply with rules of 28 different Member States, only with those of the country where they are established.

The new Directive confirms and facilitates the country of origin principle in the following ways:

- ensuring transparency among Member States on jurisdiction: it will be easier to determine the country whose rules apply to each provider, thanks to a database which will contain a list of providers under Member States' jurisdiction. This information will be publicly available;
- aligning the procedures in case of exceptions to the country of origin for TV broadcasting and video on-demand services;
- introducing grounds for derogations for EU Member States as to serious risks to public health and public provocation to commit terrorist offences;
- introducing a new urgency procedure for derogations in case of public

security concerns and public provocation to commit terrorist offences.

What was agreed on advertising?

The new rules aim to strike the right balance between consumer protection, more specifically the protection of the most vulnerable consumers (for example minors), and a more flexible system for TV broadcasters, taking into account new market realities.

The proposed rules strengthen provisions to protect children from inappropriate audiovisual commercial communications of foods high in fat, salt and sodium, and sugars, by encouraging codes of conduct at EU level, where necessary.

Tobacco advertising remains forbidden in all types of media. For alcohol advertising, the co-legislators agreed also to encourage further development of self- or co-regulation, if necessary also at EU level, to effectively reduce the exposure of minors to such advertisements. This does not prevent Member States from applying stricter rules such as, for example, banning alcohol advertisements or adopting other measures.

The advertising limit of 20% of broadcasting time will apply from 6:00 to 18:00 (i.e. broadcasters can place advertising up to 20% of the viewing time in that period) and the same share is allowed during prime time (from 18:00 to midnight).

The new advertising rules are expected to have a positive economic impact for TV broadcasters and increase their capacity to invest in audiovisual content. This change is important for the competitiveness of the EU audiovisual industry.

How will the protection of children from harmful and illegal content be strengthened?

Children watch less TV and more and more on-demand and online videos. However, the current AVMSD protects them more on TV and less in the online world. This inconsistency will now be fixed. The new rules will:

- require that programmes that may impair the physical, mental or moral development of minors (harmful content) are only made available in such a way as to ensure that minors will not normally hear or see them. This is regardless of whether such programmes are broadcast by TV broadcasters or provided by on-demand providers. Video-sharing platforms will now also have to put in place measures to protect minors from harmful content. Such measures consist of tools for users to report and flag harmful content, age verification or parental control systems.
- require that the most harmful content, such as gratuitous violence and pornography, shall be subject to the strictest measures providing a high degree of control (such as encryption and effective parental controls).
- encourage EU co-regulation on content descriptors (words, symbols or acoustic means warning of bad language, sex, violence, drugs, discrimination) which provide sufficient information to viewers about

the possible harmful nature of the content. The industry should develop common content descriptors because age ratings without additional explanations on this rating do not always give sufficient information to parents. This will empower parents to make decisions for their children or for children to make decisions for themselves.

How is European culture strengthened by the new Directive?

Under the new rules, TV broadcasters will continue to be obliged to broadcast at least 50% share of European works (including national content) in viewing time. Video-on-demand services – which already have to promote European works under current rules – are subject under the revised Directive to more specific obligations: they need to ensure at least 30% share of European content in their catalogues and should give a good visibility (prominence) to European content in their offers.

The new rules also include a mandatory exemption for companies with a low turnover and low audiences. It could also be deemed inappropriate to impose such requirements in cases where – given the nature or theme of the on-demand audiovisual media services– they would be impracticable or unjustified.

Overall, strengthening the promotion of European works for on-demand services will lead to a broader and more diverse offer for Europeans. This will have a positive impact on cultural diversity and bring more opportunities for European creators.

Will the Member States impose financial contributions for European works on media service providers targeting a specific territory? How will it be enforced?

The rules in force already foresee that promotion of European works can also be carried out, amongst other ways, through financial contributions to the production and rights acquisition of European works. Member States have the option to require media services under their jurisdiction to contribute in this way. The new rules clarify the possibility for Member States to impose financial contributions (direct investments or levies payable to a fund) upon media service providers, including those established in a different Member State but that are targeting their national audiences. This would be a voluntary measure for Member States, not an obligation at EU level.

It is a fact that broadcasters are investing more in European works than video on demand providers. While European TV broadcasters invest around 20% of their revenues in original content, this figure represents [less than 1%](#) for on-demand providers. Therefore, when Member States impose financial contributions on broadcasters that are not under their jurisdiction, the investment of those broadcasters in European audiovisual works should be taken into account, with due consideration of the principle of proportionality.

Why is a share needed at EU level? Won't it be an extra-burden for businesses?

Mandatory shares of European works in catalogues of on-demand services already exist in [more than half of EU Member States](#). This is required either as a standalone obligation (e.g. Cyprus, Hungary, Lithuania, Malta, Slovakia) or in combination with other joint or alternative obligations (e.g. France, Croatia, Czech Republic, Italy, Poland, Romania, Slovenia, Spain). The required shares in the catalogues vary considerably between Member States (10-60%). This is why minimum harmonisation at EU level is needed, so that all Europeans can have access to European audiovisual content.

It should not be a significant burden for businesses: according to a [2015 study by the European Audiovisual Observatory](#) European films already accounted for 27% of all films available in video-on-demand catalogues in the EU.

More specifically:

- Share of EU films in 75 video-on-demand (VoD) catalogues: 27%
- Share of EU films in 16 subscription VoD catalogues: 30%
- Share of EU films in Netflix: 21%
- Share of EU films in iTunes: 21%

We also need to pay attention to new market entrants and small players. The new rules also include a mandatory exemption for companies with a low turnover and low audiences. It could also be inappropriate to impose such requirements in cases where – given the nature or theme of the on-demand audiovisual media services– they would be impracticable or unjustified.

How can video-on-demand services give adequate prominence to European works?

There is a wide range of tools to ensure visibility of European works, e.g.:

- indicating the country where a film or series comes from;
- providing a dedicated section for European works that is accessible from the service homepage,
- providing possibilities for searching for European works by means of a search tool made available as part of the service;
- placing information and materials promoting European works, including in the home/front page; using trailers or visuals;
- using European works in promotional campaigns for the service; or
- promoting a minimum percentage of European works in the service's catalogue e.g. by means of banners or similar tools.

How will the Directive increase the independence of regulatory authorities for audiovisual media services?

The Directive includes a requirement for Member States to have independent regulatory authorities for audiovisual media services. They will have to fulfil the criteria of independence listed in the Directive. The regulator:

- should be legally distinct from the government and functionally independent of their respective governments and of any other public or private body.

- should not seek or take instructions from any other body in relation to the exercise of the tasks.
- should exercise its powers impartially and transparently and in accordance with the objectives of the AVMSD in particular media pluralism, cultural and linguistic diversity, consumer protection, accessibility, non-discrimination, internal market and the promotion of fair competition.
- should have its competences and powers clearly defined in law.
- should have adequate resources and enforcement powers to carry out their functions effectively.

Member States have to set up transparent procedures for the appointment and dismissal of the head of a national regulatory authority or the members of the collegiate body. These may be dismissed only if they no longer fulfil the conditions required for the performance of their duties. An appeal mechanism against the decision of a regulator on national level will also be provided.

The Commission will monitor the application of these principles in the Member States, and could take action if they are not respected.

What is the role of the European Regulators Group for Audiovisual Media Services (ERGA)?

The new rules reinforce the role of the [European Regulators Group for Audiovisual Media Services \(ERGA\)](#) by establishing it in the Directive and giving it a clear role in shaping and preserving the internal market. For example, as a Commission expert group ERGA will provide technical expertise in different fields and help the Commission in its tasks to ensure a consistent implementation of this Directive in all Member States.

The Group will also serve as a platform of national regulator in the exchange experiences and best practices on the application of the regulatory framework for audiovisual media services.

What are the next steps?

The current AVMSD will continue to apply until the revised Directive enters into force. The co-legislators have successfully concluded the negotiations for the revision of the Directive at the final trilogue on 6 June 2018. The revised text will be formally adopted by the two institutions in autumn 2018. Once formally adopted and following the date of publication in the Official Journal, Member States will have 21 months to transpose the new Directive into their national legislation.

For More Information

[Press release on the preliminary political agreement](#) (April 2018)

[Proposal for revised Audiovisual Media Services Directive](#)

Speech by Commissioner Jourová on media and democracy in Europe at the Media Symposium – Vienna

* * Check against delivery**

1. MAIN MESSAGES

On the recent journalist murders and media freedom in Europe:

If journalists risk their lives when doing their jobs, **it is an alarm signal.**

I am deeply concerned about these developments because independent media play a crucial supervisory role in any democracy. Journalists are a key partner for justice and for upholding the rule of law.

On the risk of manipulated elections in Europe:

The allegations [in the Facebook Scandal] are extremely serious because we have to understand if these practices might have had an impact on elections or referenda in Europe. **If only one country's elections are at risk of being manipulated, this has an impact on our whole Union.** And this is a big concern, in particular ahead of the upcoming European Parliament elections.

On the role of public broadcasters:

I would advocate for a **European approach based on quality and smart regulation, if needed.**

In Europe, we have a “dual” system in the area of broadcasting – combining the presence of **public broadcasters** with commercial broadcasters. We need to keep up our support for public broadcasters and independent media more broadly and not follow the laws of the markets only.

The way forward:

1) My basic guiding principle is that **rules we have offline should in principle also apply online.** I have more than once said that the internet cannot be the Wild Wild West and the law must also apply there.

2) Having said that, there is **no one-size-fits-all solution.** We always need

to balance our freedoms and our security.

3) We should by no means have a **ministry of truth, but ensure the right environment for a pluralistic debate**. We need to guarantee fair access to information and equal chances for political parties, candidates and opinions.

4) There is a **real risk for voters to be manipulated in elections** in Europe in new ways. The EU and EU governments must take this seriously. A key issue we need to look at is **Political Advertising**. We need more transparency for online political advertising and **rules that are up to date with modern political campaigns** in the digital era.

5) Speaking of long-term solutions: **education** in using media and the internet will be key to equip the next generations to be users of technology and not be abused by technology.

6) Finally, I would advocate for a **European approach based on quality and smart regulation, if needed**.

I am deeply convinced that we do good in Europe if we don't follow a "market only" model like in certain other places in the world.

2. FULL SPEECH

I am very glad to be in Vienna today. This city has a special status for me but also for many Czechs. Vienna is a short two hour drive from my home town of Trebic, yet until the fall of the Iron Curtain it felt as if this city was in a different galaxy. For me, meeting with you in Vienna today to discuss the way ahead of our common European challenges is a telling symbol of the great achievements of a united Europe. Separated by geopolitics, now we have a chance to learn from each other and decide together the best way forward for Europe.

But Vienna also has a special place in my family history. It's here where my grandfather, serving to the Austrian-Hungarian rulers, met my granny. So, I can safely say that without Vienna, I wouldn't be standing here in front of you. So, dear Vienna, I owe you.

Now I would like to talk to you about challenges facing the media and why I think these challenges are crucial for our democracy, and ultimately for our future. Then, I would like to discuss with you some ideas for solutions.

Time of challenges for media

This media symposium comes at the right time. Our free and independent media in Europe are **facing major challenges**, ranging from economic pressure, through declining readership to technological revolutions. And the impact of these challenges is going beyond the media themselves, to very basic questions of the **rule of law and democratic freedoms** in Europe.

This afternoon I will travel on to **Slovakia**. I will visit the former home of

Jan Kuciak to pay tribute to a brave young journalist who was killed, together with his fiancée. Next week I will visit **Malta** where I will enquire about the state of play of the investigation of the murder of Daphne Caruana Galizia. These killings are a scar on our collective democratic conscience of Europe.

I sometimes wonder: Do we actually realise what is happening in Europe, right before our eyes, at our doorsteps? If journalists risk their lives when doing their jobs, **it is an alarm signal.**

I am deeply concerned about these developments because independent media play a crucial supervisory role in any democracy. Journalists are a key partner for justice and for upholding the rule of law.

Corruption scandals, fraud, political hypocrisy and other crimes came to see the light of day, because journalists took risks, worked hard with their sources and whistle-blowers.

That's why there can be no healthy democracy without a free, independent and pluralistic media. Media and journalists need the protection offered by the rule of law and by fundamental rights so that they can fulfil their crucial function in full independence. And media and journalists have to play their role in a responsible way too.

Over the past years we often see a shrinking space for independent media going hand in hand with a shrinking space for an independent judiciary and the rule of law, and even a shrinking space for civil society.

Changing media landscape in digital economy

A philosopher and politician, Edmund Burke is credited with calling the press the fourth estate in XVIII century. Today, I have no doubt that this is still true; and we need the media to play that role.

But since these words were first uttered on the floor of the British Parliament the media landscape has undergone unrecognisable changes.

The digital era has brought about huge changes. I suppose I don't need to tell you much about the challenges the online world created for classical media from an economic point of view. But I want to take a step back today and look at the bigger picture of what the new digital developments mean for media, for the rule of law and for democracy as such.

We have today, broadly speaking, **three sorts of media**: public media, privately owned media and what I would call "spontaneous media", meaning the social media sphere where everybody can be a journalist. When we talk about media today all of them are relevant, because all of them inform citizens and form their opinion.

But the relevance is shifting. In my youth, there was not much choice. The news and entertainment were provided by the public broadcaster. Then, we had an opening up to competition and a vast choice of private media appeared in Europe. They took over the entertainment side but often also the news

segment. Today, as the so called traditional or mainstream media suffer from the crisis of credibility, people, especially younger ones, turn to social media to learn about the world and look for news.

Call me outdated, but I still believe that both the public and private media have a huge role to play.

The public broadcasters, if they don't have significant safeguards, often are the first victims of regimes that want to control the information. This is a clearly authoritarian tendency, and these sorts of temptations are not strange to politicians also in the EU.

That's why we should work together to ensure an independent financing and significant safeguards to public media, so the journalists are not afraid to criticize the government and are as free from political pressure as possible.

Both, public and private media have to deal with a mounting pressure from digital. Of course this differs from country to country.

And in Austria I envy you because you are the nation wedded to printed newspapers.

But this doesn't change the global picture. I think many of us, Internet surfers, are so used to free content that we simply don't want to pay, because we don't believe there is a better service behind the paywall. In fact, only around 10% of people globally pay for online content. This is one of the reasons why many people, especially in the younger generations, turn to social media to find news.

Around 65% of young people between 18 and 24 year olds use online news channels, including social media, as their main source of information.

Challenges and opportunities of the digital era – fallout of Facebook scandal

This brings me to the **third type of media – the social and online media**. Allow me to focus on this issue for a bit longer, as this is a largely unregulated sphere, but the regulators, including the European Commission, are turning their attention to it.

I am sure you all heard about the Facebook / Cambridge Analytica scandal. In my view this was a wake-up call and it has **highlighted some of the core challenges that we face** in a digitally connected society today. It is a data protection issue, but it also goes far beyond that. In fact, it raises serious concerns about our collective freedom as voters and politicians.

As we are awaiting the results of the investigation by the supervisory authorities, some things are becoming clearer. Some companies have collected huge amount of data on us and they use these data to offer us products, services and news they think we will like. Or, to be more precise, their algorithms calculate what we will like.

They use and share these data in a way that very few of us can understand and they are not very transparent about it.

Finally, they may share this data with researchers, political campaigners and political parties and those can try to use these data to influence our political decision without our knowledge, consent, and often without any supervision or rules.

The allegations are extremely serious because we have to understand if these practices might have had relevance for elections or referenda in Europe. If only one country's elections are at risk of being manipulated, this has an impact on our whole Union. And this is a big concern, in particular ahead of the upcoming European Parliament elections.

The role of algorithms in forming opinions

This scandal, ladies and gentlemen, also highlights **the role of algorithms** that social media platforms use to micro-target citizens. Powerful algorithms are part of our daily lives. We cannot see them, but they are influencing us. And sometimes the bad actors try to use them too.

They filter our information, recommend news we should read, places we should visit, people we should be friends with, posts we should like, goods we should buy and maybe even candidates for whom we should vote.

The Facebook algorithms, for example, may have **amplified the spread of fake news and lies**. And they may have boosted the 'filter bubbles' to dictate what we see online. This way of targeting information, even correct information, **can isolate parts of the electorate and fragment the debate**. It amplifies the echo chambers that reinforce some views and exclude others – provoking further hostility within society.

Of course this phenomenon is not new. It is a well-documented fact that we prefer reading information that supports our views rather than those that challenge them. But with social media, this reached a new height. It is so much easier to cover ourselves in the souse of our own prejudice and stereotypes without being exposed to any critical views.

I welcome that the European's Data Protection Authorities have set up a working group on social media and the British one is also looking at the electoral aspects in their investigation of the Facebook/Cambridge Analytica case. I have also met with representatives of electoral authorities form the EU countries.

The time is ripe for a discussion on what rules should apply to the online world when it comes to elections. Traditional media are heavily regulated with spending limits, fair time allocation, electoral silences, and other things.

But when it comes to online world the landscape is very fragmented in the EU. I would like to bring that debate further, exchange practices and follow up on this issue before the European elections next year.

Shift of hate from social media to media

Another challenge that has developed over the past years is **illegal hate**

speech and incitement to hatred. In the online world, without any filters and editors, we have seen a huge rise of this type of abuse. And this is also moving on to “real” media.

Recent data from the Fundamental Rights Agency show that cases or complaints relating to incitement to hatred against Muslim, Jewish and Christian communities are present in a number of Member States, including in Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, Germany, Hungary, Italy, Lithuania, the Netherlands or Slovakia. We must not turn a blind eye on this.

Freedom of expression and the media in Europe based on the rule of law

But I do not want to only list problems; I am convinced that we, in Europe, have **already laid the groundwork for dealing with many of these challenges.**

On a global scale, Europe is rather unique when it comes to protecting freedom of expression and Media Freedom.

All EU countries have signed the European Convention of Human Rights – an instrument of the Council of Europe. And by doing so, they have submitted themselves to the **judicial review by the European Court of Human Rights** to make sure they comply with the extensive human rights commitments set out in the Convention. It includes article 10, which protects the right to freedom of expression.

Furthermore, since 2009 the EU has its own fundamental rights legal instrument – the **EU Charter of Fundamental rights.**

This is one of the most modern and sophisticated human rights instruments. EU institutions have a legal duty to respect it. And Member States must comply with it when they implement EU law.

Consequently, **independent courts in Europe** are the ultimate guarantors of the freedom of media and media pluralism. This is true offline and online.

So, we do have sound legal grounds, but we also need to act on them, and I believe politicians have a special responsibility in this respect. George Orwell defined journalism as “printing what someone else does not want printed.” Including governments of course.

And we, politicians, have to pay particular attention not to contribute to the atmosphere of hostility towards the media. Many of us, armed in social media accounts, are too quick in dismissing journalists with fake news hashtags or threats.

And I know how it feels to read nonsense about yourself. Just to give you an example, I was accused by a certain Czech paper that I want to nationalise Facebook which shows my true communist soul.

We may not like what journalists write sometimes, but **it is our obligation to defend their right to write exactly what we don't like.** If we want to be true democrats in Europe it is our duty to defend their space.

Strong EU data protection rules lead the way

The Facebook case – as much as we condemn and regret it – has also shown that **Europe got it right when it comes to privacy** and protecting our personal data. Our new data protection rules will make companies more accountable and more responsible in how they deal with our data. Ultimately, they give people back control over their personal data. This is just what is needed for the digital economy, bringing back control and trust for citizens.

Globally, **we are leading the way in this debate** and many others begin to see the value of the way we have chosen in Europe. I just come from Japan and South Korea, with whom we are negotiating data protection arrangements. And there is also high interest from other important partners like India or Brazil.

Tackling illegal online hate speech

We also made **important progress when it comes to tackling illegal hate speech** in the online world. I worked with major online platforms to create the “Code of Conduct on countering illegal hate speech online”. Today, all major players have signed up to it: Facebook, Microsoft, Google, YouTube Twitter, Instagram and Snapchat.

When we conceived the Code of Conduct some of the critics have labelled me a ‘Big Sister’, to paraphrase Orwell again. They were concerned that the right to freedom of expression will not be fully respected.

Today, we can say that these fears have not materialised. The Code of Conduct **only addresses illegal content** – that is, public incitement to hatred and violence, racism and xenophobia that is anyway forbidden in all EU Member States. It does not concern satire; it does not concern offensive speech. This is what we need to defend – even if we don’t like it – under the right to freedom of expression.

The results show this approach is working. The companies are now **removing on average 70 % of content notified to them and in more than 80% of the cases they do it in less than 24 hours**.

Together with IT companies, civil society and Member States, we have shown that a collaborative approach can work and that it is possible to create a space where individuals can use online services **without fear of threats and intimidation** to silence their voices.

Tackling online disinformation

It is a fine line between free speech and illegal hate speech, and harmless content and illegal content. But when the courts determine something is illegal – for example, illegal hate speech, incitement to terrorism, or child pornography – we have the right to **demand its quick removal** from the online space.

But what about **content that is not illegal but still harmful**? What about **fake news and disinformation**?

In April the Commission proposed an **EU-wide voluntary Code of Practice on Disinformation**, with a number of commitments for the IT platforms. These commitments include:

- ensuring transparency about sponsored content, in particular political advertising;
- establishing clear marking systems, transparency and rules for bots;
- and ensuring that new online services include safeguards against disinformation.

We also support the establishment of an independent network of fact-checkers and tools to stimulate quality journalism. Tackling fake news requires, however, a **comprehensive approach, which involves online platforms, the media, civil society and EU governments.**

Only by acting together and with determination can we ensure that we uphold freedom of expression online and an environment where citizens can form their opinions freely, without manipulation and with access to a wide range of news sources.

At the crossroads

Ladies and Gentlemen, looking at the multiple challenges around us, with populism, fake news and manipulation on the rise, we are at a crossroads.

Will we learn to master the new digital tools for our democracies or will they become our masters? Will we find the right balance between freedom and security? While we are only beginning to understand the changes the new technologies are catalysing in our societies, the time to frame these developments and give the right answers is now. **How will we maintain a pluralistic debate and – ultimately – our democracy in a time of simplified messages, algorithms and fake news?**

It is not for me to give you all the answers to these questions – I would rather be very interested in learning a lot from your debates today and tomorrow. And we will for sure take inspiration from these discussions for our own Colloquium on Fundamental Rights in autumn which will focus on “democracy”. But before I close I want to give you a few points I consider important to find the right answers to those pertinent questions.

What next?

1. My basic guiding principle is that **rules we have offline should in principle also apply online.** I have more than once said that the internet cannot be the Wild Wild West and the law must also apply there. This is true when it comes to personal data protection, this is true when it comes to incitement to hate. It should also guide us when we think about the future of media in the digital era.
2. Having said that, there is **no one-size-fits-all solution.** We always need to balance our freedoms and our security. When it comes to illegal hate speech online, the **self-regulatory** approach we took together with the major social media platforms has proven to be very successful. At the

same time, looking at terrorist content, the Commission is at the moment seriously considering to come up with **legislation**. Different kinds of content require different answers.

3. We should by no means have a **ministry of truth, but ensure the right environment for a pluralistic debate**. This is not about banning things, but what we need to do is to ensure a favourable environment for an inclusive and pluralistic public debate, in particular in the context of elections. We need to guarantee fair access to information and equal chances for political parties, candidates and opinions.
4. There is a **real risk for voters to be manipulated in elections** in Europe in new ways. The EU and EU governments must take this seriously. A key issue we need to look at is **Political Advertising**. We need more transparency for online political advertising and **rules that are up to date with modern political campaigns** in the digital era.
5. Speaking of long-term solutions: **education** in using media and the internet will be key to equip the next generations to be users of technology and not be abused by technology
6. Finally, I would advocate for a **European approach based on quality and smart regulation, if needed**. I am deeply convinced that we do good in Europe not to follow a “market only” model like in certain other places in the world. In Europe, we have a “dual” system in the area of broadcasting – combining the presence of **public broadcasters** with commercial broadcasters. This model allows delivering to the citizens an essential public service while maintaining an open market and opportunities for new entrants. We need to keep up our support for public broadcasters and independent media more broadly and not follow the laws of the markets only. I am aware of the **ongoing debate around this in Austria**, and for sure also at this conference. So, my small advice would be to keep all those issues in mind, when you decide about the future of your public broadcaster.

Ladies and gentlemen, it took me almost 30 minutes to lay down the challenges and the map the road we should take when we deal with them. But a famous Austrian writer and journalists, Stefan Zweig, encapsulated this in one sentence: “Freedom is not possible without authority – otherwise it would turn into chaos; and authority is not possible without freedom – otherwise it would turn into tyranny.”

It remains for me now to wish you very fruitful discussions in your panels and I look forward to learn about the results.

Thank you