



Summary

Forecasting Europe 2021

Another eventful year for the EU

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Looking back at 2020 we can certainly say that it was an eventful year for Europe with the Green Deal, European cooperation, COVID-19 and the Brexit. We expect that these topics will also dominate the agenda in 2021. The agreements made on these themes in the coming year in Europe will have significant consequences for the Netherlands. To go into the New Year well prepared, Berenschot interviewed five eminent EU experts: Louis Meuleman (Environmental Implementation Review coordinator, DG ENV), Professor Ronnie Belmans (University of Leuven and CEO of EnergyVille), Pieter Hasekamp (Netherlands Bureau for Economic Policy Analysis, CPB), Ellen Nauta-van Moorsel (Chair Committee of the Regions-NL) and Christiaan Nelisse (Clingendael, think tank on international relations).

Our conversations are reported in the '[Forecasting Europe 2021](#)' article (in Dutch) which anticipates developments on five broad themes in 2021. The themes range from topical issues relating to the European Green Deal and the role of central government to the impact of COVID-19 on the healthcare sector and the economy, through to opportunities for cooperation for local and regional governments, and the implications of a Brexit deal and/or no-deal. This summary of that article briefly outlines the highlights for you so that, no matter how busy you are, you and your organization can go into the New Year well prepared.

Influence of the Green Deal and its governance in 2021

The climate transition has been a high priority for the new European Commission since it took office in late 2019. The Green Deal contains ambitious plans which will also apply to the Netherlands: for instance, reducing CO₂ emissions by an average of 55% in 2030 (from 1990 levels). We spoke to Louis Meuleman (DG ENV, associated with Berenschot as from 2021) and Professor Ronnie Belmans (University of Leuven and CEO of EnergyVille) about what the Green Deal ambitions will mean for the Netherlands in terms of governance and environmental and energy policies.

The Commission has already presented the first set of Green Deal products. The Work Programme for 2021 includes a long list of proposals which primarily relate to adaptation of European environmental and energy policy. Mr Meuleman sees this list as an opportunity for the Netherlands: "In a highly dynamic situation there are many gains to be made". It is important, he says, for the Netherlands to build on the existing good relationships between government departments and between central and local government to become even better organized to meet these challenges. He also proposes the establishment of a temporary task force to supplement the present relationships between the Netherlands and the EU. This task force should work constructively with the Commission' staff and put forward

innovative solutions on environmental and climate legislation, among other things. This approach would improve the chances of incorporating Dutch interests in Commission proposals.

According to Professor Ronnie Belmans, the Netherlands still has major steps to take when it comes to detailing and implementing the requirements of the Green Deal. Using hydrogen initiatives as an example, he challenges the argument that the current Dutch focus on hydrogen is the most cost-effective route for the energy transition through to 2030. In Professor Belman's view it would be better to focus efforts on electrification and, by extension, on improving grid capacity. He would also like to see a more prominent role for cooperation and shared ambition between the different network operators: "The achievement of the climate objectives in the next 10 years will depend largely on the efforts of network providers like TenneT and Elia. If they don't prioritize electrification, the Dutch sustainability approach is doomed to fail." Professor Belmans also advocates an investment plan or fund to cover infrastructure needs along the entire coastline of the Netherlands and Belgium, possibly extending to Germany and Denmark too. The fund should provide a collective source of investment to get offshore wind energy into the grid and then transmit it further into Europe.

When it comes to the Carbon Border Adjustment Mechanism (CBAM) he is skeptical about how the mechanism works in practice. He provides an alternative: "Group countries according to their climate ambitions and put countries with the same ambition level into the same group. Then analyze each country's average emissions per product today and their expected emissions in 2050. This information would form the basis for calculating and agreeing on a linear CO₂ reduction for each year. This could form the basis for the carbon import duties that is feasible in practice." Professor Belmans does agree with the experts at Berenschot that a CBAM-type mechanism is a necessary element in the package of instruments to make industry more sustainable and also those sectors which compete internationally and have relatively high CO₂ emissions.

Post-Covid19: impact on the healthcare sector and the economy

We asked Pieter Hasekamp, director of the Netherlands Bureau for Economic Policy Analysis (CPB) about the impact of COVID-19 on the healthcare sector and the economy. Reflecting on 2020 he paints a picture of a patchwork of responses in which member states developed all kinds of different national COVID-19 measures. With divergent travel recommendations, various types of lockdown and some countries unilaterally closing their borders. On the other hand, "it was reassuring to see the speed of the EU budget response and the ECB monetary response. They quickly restored confidence to the financial markets – that the

health and economic crises will not lead to a financial crisis and that there's money available for support and recovery." Their actions now are very different to those in the 2008 crisis. On balance, therefore, Mr Hasekamp is positive about Europe's efforts and about the cooperation between financial institutions.

The president of the European Commission Ursula von der Leyen has called for a European Health Union to streamline the mishmash of rules and approaches. Mr Hasekamp believes that healthcare integration is still a long way off: "I don't expect that (ed. Health union) to materialize in the coming years. Healthcare is essentially a matter for individual countries. But the EU's role in healthcare will intensify in 2021 on issues that EU member states can't solve on their own, for instance medical equipment shortages, and supplies of vaccinations and drugs."

In 2020 the tensions inherent in the Netherlands's relationship with the EU showed through on several occasions. For instance, the Dutch government took a tough line on the discussions on the multiannual financial framework and the corona recovery fund. Asked whether the government was wise to use these blocking tactics Mr Hasekamp replied: "Parties always aim high in negotiations, but I don't expect this to have lasting effects. Long-term European cooperation is much more important than this short-term wrangling." Finally, he points out that it would be better not to continually exaggerate the negative aspects to the EU relationship with the Netherlands, which, in his view distracts from the significance of Europe for the Netherlands.

Opportunities for cooperation: decentralized government

EU governance experts Mendeltje van Keulen and Ruud Schapenik (associated with Berenschot) spoke to Ellen Nauta about the opportunities for decentralized government. Mrs Nauta chairs the Dutch delegation to the Committee of the Regions (see text box) and is also mayor of the Hof van Twente municipality. Mrs Nauta first states that the Dutch regions must exploit more opportunities for cooperation: "The Netherlands is not an island ... We are a small country, which is why we must learn to take a European and international approach". She believes that the EU flourishes in the regions in part because the political maneuvering and national interests which regularly clog the Brussels machine do not apply at this level of local government. After all, many European politicians also represent regions - from Poland to Portugal and from Spain to Slovenia. They were elected in those regions, that's where their support lies and where they make promises for rural development-, infrastructure- or sectoral projects. For Mrs Nauta, the way to better exploit opportunities for the regions is to shift our perspective: "See Twente as a European region in the Netherlands instead of a peripheral region of the Netherlands".

The Committee of the Regions

The Netherlands's delegation to the Committee of the Regions includes twelve local council members, provincial government representatives and one head of a provincial government (King's Commissioner). They are tasked with monitoring issues of importance to provincial and local government. The Committee is one of the two bodies which is consulted for advice by the European Commission, Council and European Parliament. Their opinion must be sought prior to new EU decisions on plans such as the Green Deal.

In our view 2021 could be the year of opportunity for (Dutch) regions. In addition to the multiannual financial framework, the government leaders also agreed on a coronavirus recovery package of EUR 750 billion. While there are still some political hurdles to be taken, once this fund becomes available municipalities and provincial authorities would be well advised to intensify their focus on Europe. But how do you do that? For instance, by checking whether your own organization has effective structures and capacity to lobby in Brussels and/or by assessing whether your local project(plan) can benefit from existing EU funding schemes.

Let's talk Brexit: implications of a deal and/or no-deal

We talked to Christiaan Nelisse, Brexit expert at Clingendael, about the prospects for 2021, the year in which the Brexit really is going to happen after all. Mr Nelisse is convinced that the UK and the EU will grow even further apart in 2021. Below we outline the implications of both scenarios for the Netherlands.

In a no-deal situation, we will see long queues building at the border as early as January. That will make travel between the Netherlands and the UK more difficult. We envisage bottlenecks at the ports and a knock-on financial impact for businesses in the Netherlands, but also in Germany and other member states that trade with the UK. It is highly likely that jobs will be lost as a result of a no-deal scenario.

But even with a deal, we still won't be out of the woods. The EU sees the UK as a totally untrustworthy partner, he says. Which is why the EU's position is to get a deal which comprehensively binds the UK to the agreements it makes with the EU. If the UK breaks those agreements, sanctions would be imposed immediately in respect of all the areas covered by the deal. That means that the coming years will be marked by new conflicts between the UK and the EU. To end on a brighter note, one positive effect of the Brexit in the year ahead is that the EU will start positioning itself more robustly on the world stage.

Last but not least

The Berenschot EU team, led by Robert Wester hopes that this summary of the 'Forecasting Europe 2021' article gives you insight into the EU-NL related challenges in 2021. We will of course continue to closely monitor European developments from our offices in Utrecht and Brussels. If you would like to know more about what the Berenschot EU team could do for you in 2021, please contact one of our advisers. For now, we wish you a healthy, happy and successful 2021!

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The Berenschot EU team offers a range of consultancy services towards the European Union and Dutch clients who wish to spread their wings in Europe. Our aim is to live up to our excellent reputation in the Netherlands, for example in the field of participative governance and energy transition, at the European level as well, and to help clients tackle major social challenges.

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