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EU Commission Releases 2023 Strategic Foresight Report Focusing on Environmental and Social Well-Being Objectives



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In July 2023, the European Commission published its annual [Strategic Foresight Report \(the Report\)](#), focusing on how sustainability and people's wellbeing can help to achieve President von der Leyen's [six priorities for the European Union](#), referred to as the "Open Strategic Autonomy." The Open Strategic Autonomy is characterized by: a European Green Deal, a Europe fit for the digital age, an economy that works for people, a stronger Europe in the world, promoting the European way of life and a new push for European democracy. The Report identifies six critical social and economic challenges to its sustainability transition and ten ways to overcome those challenges.

The six challenges identified by the report are:

1. **The rise of geopolitics**, in particular a changing geopolitical landscape marked by the Russian war against Ukraine, China's changing economic and global focus, and the focus of the U.S. on its domestic and foreign policies, that will challenge international cooperation on global issues, including climate change and the transition away from fossil fuels and toward green energy.
2. **The need to transform the current economic model** to ensure its sustainability and the wellbeing of Europeans, detach economic growth from the use of natural resources (currently up to 75% of Eurozone businesses are highly dependent on natural resources) and transition to more sustainable production and consumption.
3. **The need for sufficient investment from the private sector**, in addition to public funding from Member States, to drive the transition toward sustainability.

4. **The growing demand for workers** with the necessary skills and technical training to help navigate both the green and digital transitions in the face of workforce shortages and competency gaps (an estimated 85% of EU firms today lack staff with the required competencies).
5. **Eroding social cohesion**, including growing income inequality and the disproportionate impact of climate change on the most vulnerable populations, as well as intergenerational tensions that threaten trust in governments and the viability of a green transition.
6. **Threats to democracy** resulting from the erosion of public trust in government and other public institutions in dealing with growing socio-economic issues, coupled with the rise of extremist, autocratic or populist movements.

The ten action steps to address the six challenges are:

1. Ensure a new social contract appropriate for a sustainable European economy, including encouraging Member States to develop “inclusive, high-quality social services” and renewed welfare policies.
2. Strengthen the EU “single market” framework to drive a resilient net-zero economy and achieve “open strategic autonomy” and Eurozone economic security.
3. Enhance the EU's offer globally, including by focusing on the connection between internal and external policies, and strengthening key global partnerships.
4. Support shifts in production and consumption to support sustainability, in particular by “decarbonizing and depolluting” the economy, including streamlining regulation to impact the production side, and encouraging sustainable and balanced lifestyles on the consumption side.
5. Foster a “Europe of Investment”—ensuring that the EU is and remains attractive for investments in the net-zero and sustainable economy—including by developing “an agile, fast and responsive framework” for boosting private investments and “ensuring a positive business environment.”
6. Make public budgets “fit for sustainability” by, among other efforts, adapting fiscal and tax policies.
7. Revamp policy and economic indicators to reflect sustainable and inclusive wellbeing, including developing and incorporating “beyond-GDP” metrics into EU policymaking to measure environmental and social impacts.
8. Make sustained efforts to increase labor market participation for all segments of the population, in particular underrepresented populations, with a focus on both education (including technical, sustainability, digital and entrepreneurial skills) and adapting workplaces and working conditions.
9. Strengthen the EU’s ability to defend democracy and promote citizen agency, including by developing mechanisms to counter dis- and misinformation, making social media platforms more accountable and supporting independent media.
10. Complement civil protection with “civil prevention,” which includes developing “strategic foresight and monitoring capacities” to ensure that the EU is able to anticipate potentially disastrous events, such as the COVID-19 pandemic and Russia’s war against Ukraine, and prepare for their impacts.

The Report is expected to inform the agenda at the upcoming European Council, which will be hosted by Spain in October 2023, and also contribute to the agenda at the Commission and EU Parliament's co-organized European Strategy and Political Analysis System conference in November 2023.

Final Thoughts

European Commission President Ursula von der Leyen [has long been a vocal advocate](#) for EU leadership in the green transition. The Report, which addresses a host of non-climate sustainability issues in addition to climate concerns, acknowledges the significant geopolitical and economic challenges inherent in the EU's transition agenda.

As the Report reflects, the EU is considering its dependence on, and place among, dominant global economic players, including the U.S. (which the Report acknowledges is a strategic partner) and China. It is also contemplating its wider impact on decarbonization and green energy, both in the Eurozone and on emerging and developing nations, in particular on countries in Africa, Latin America and Asia that have strong economic ties to China. Point two of the ten action points focuses on economic security with an inward focus on Member State economic cooperation, while action point 3 focuses on the EU as an appealing alternative to the U.S. and China for outside partners, and action points 5 and 6 speak to making the EU attractive for private sector green investment, in particular because of the concern over the high cost of the sustainability transition. The Commission proposes increased funding from both the public and private sectors to facilitate the transition.

Of particular note is the proposed adoption of more expansive "beyond-GDP" metrics that factor in environmental and health concerns to enable the measurement of progress toward sustainability. Action point 7 makes that suggestion explicit and the report provides an in-depth look at some options for these metrics, including a well-being-adjusted, "enhanced GDP" measurement that would include different quality-of-life factors (health, education and recreation), work-related factors (unpaid care and domestic work), socio-economic inequalities, costs of environmental damage (such as pollution and greenhouse gas ("GHG") emissions) and natural resource exhaustion.

(This article originally appeared in [Cadwalader Climate](#), a twice-weekly newsletter on the ESG market.)
