



Ten issues to watch in 2022



IN-DEPTH ANALYSIS

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This EPRS publication seeks to put into context and offer insights on 10 key issues and policy areas that have the potential to feature prominently in public debate and on the political agenda of the European Union in 2022. It has been compiled and edited by Isabelle Gaudeul-Ehrhart of the Members' Research Service, based on contributions from the following policy analysts: Michael Adam (Internet of things: Securing the uptake of connected devices in the EU), Alessandro d'Alfonso (Shaping the economic recovery), David De Groot (LGBTIQ equality: Somewhere over the rainbow), Martin Höflmayr (ECB monetary policy: Caught between a rock and a hard place), Beatrix Immenkamp (A new push for nuclear non-proliferation?), Silvia Kotanidis (Uncharted waters: What to expect after the Conference on the Future of Europe), Elena Lazarou (Forward with EU defence), Henrique Simões (Radical decoupling: Achieving zero greenhouse gas emissions while maintaining economic growth?), Guillaume Ragonnaud (Securing Europe's supply of semiconductors), Rachele Rossi (Sustainable agriculture: Mission possible?). The cover image was produced by Samy Chahri.

Further details of the progress of on-going EU legislative proposals, including all those mentioned in this document, are available in the European Parliament's Legislative Train Schedule, at:

<http://www.europarl.europa.eu/legislative-train/>.

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Introduction

Two years of pandemic have taught us – institutions, researchers and citizens alike – how much today's issues are global. From fighting the virus to addressing climate change or securing supply chains, the pandemic has accelerated our awareness of our common destiny. Global issues call for global solutions and global leadership – solutions that can inspire other countries and continents all over the world.

To help us to understand these global challenges and make sense of what is unfolding before our eyes, the European Parliamentary Research Service (EPRS) asked its policy analysts to identify ten issues to watch in 2022. With so many burning issues in Europe and in the world, a selection of just ten is by definition subjective. Yet, it is the opportunity to shine the spotlight on a series of topics selected for their obvious importance or their relevance to global leadership. EPRS then tasked the experts selected to explain why these issues matter particularly in 2022 and what we might expect in the year to come. For other issues that remain 'hot', such as migration at Europe's borders and the situation in Ukraine, readers will find our analysis in previous editions of this publication (listed under the 'Further reading section') and in the thousands of publications EPRS has issued online and in paper over the years.

While the previous edition of this publication, and the associated introductory event, had highlighted the interdependence of the selected issues, the underlying theme of this 2022 edition is the global nature of the issues. This is seen in the written contributions but also inspires the visual representation of the ten issues on the cover of this publication. The ten topics selected either affect the world as a whole – achieving zero greenhouse gas emissions while maintaining economic growth, securing supply chains, moving towards sustainable agriculture, ensuring nuclear non-proliferation – or present standards, solutions or ways ahead that could be taken up worldwide. These include shaping the recovery, striking the right monetary policy balance between continued favourable financing conditions to support the recovery and addressing inflation concerns, setting standards for the internet of things, the potential of the truly innovative participatory democracy experience of the Conference on the Future of Europe, the vision of a continent where people in all their diversity are equal, and strengthening a defence union when the European Union is experiencing 'loneliness' (*solitude*) in transatlantic relations and needs to define its 'narrative' (*récit*), to quote Luuk van Middelaar's geopolitical analysis.

The year 2022 brings us into the third year of a pandemic that is far from over, although the resilience of people and societies has been tested to the limits. But 2022 also means the next European elections are just two years off, with a series of issues where the European Union has demonstrated its capacity to rebound, shape its future, and project its leadership worldwide, and where the European Parliament is in the vanguard. This 2022 edition brings some notes of hope at the start of a critical year.

We hope that you will enjoy reading this latest edition of 'Ten Issues to Watch' and that it will stimulate your own reflection, and ignite your curiosity as you explore the challenges and opportunities of 2022.

Étienne Bassot

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1. Radical decoupling: Achieving zero greenhouse gas emissions while maintaining economic growth



Climate neutrality and the European Green Deal

The [European Green Deal](#), adopted in December 2019, is a strategy geared towards achieving economic growth while reducing environmental harm – often referred to as [green growth](#). The [EU climate target plan](#) was adopted less than a year later and lays the foundations for action under the European Green Deal. It explores policy options and presents 10 different policy scenarios. The [impact assessment](#) accompanying the climate target plan shows that it is possible to achieve [climate neutrality](#), i.e. a 55 % reduction in net greenhouse gas (GHG) emissions by 2030 and net-zero greenhouse gas emissions by 2050, while maintaining EU-wide economic growth.

Decoupling emissions and economic activity

From mid-twentieth century onwards, countries have used gross domestic product ([GDP](#)) as the preferred metric to measure their economic health. GHG emissions and GDP used to be correlated, meaning that when one grew or shrank, the other would move in the same direction. However, some countries have managed to [weaken](#) this link either by addressing the energy system (e.g. with energy efficiency developments, switching to low-carbon energy sources), or by altering their economic activities, e.g. opting for high-tech goods and services to the detriment of heavy industries. The decoupling of GHG emissions and GDP can be either relative or absolute (see box).

GDP and global and EU GHG emissions: Absolute and relative decoupling

From 1990 to 2018, the world's GDP grew by close to 279 % while GHG emissions grew by 54 %. During the same period, the EU's GDP grew by 146 % while GHG emissions dropped by 22 %.

Over this time scale, the EU has shown signs of **absolute decoupling** (emissions fell while GDP remained on an increasing path). Worldwide, both emissions and GDP increased, but with **relative decoupling**, i.e. GDP grew faster than GHG emissions.

Data source: [World Bank](#).

The GHG emissions accounting plays an [important role](#) in climate policy-making, and the [basis used](#) can make a crucial difference. Accounting centred on [production-based emissions](#) (PBE) is the standard in the United Nations Framework Convention on Climate Change, and in national and European policy-making. The emissions taken in to account in PBE are those that come from goods and services production within a given region. However, countries also bear responsibility for further emissions associated with the production and transport of imported goods. This [shortcoming](#) of PBE is addressed by accounting for [consumption-based emissions](#) (CBE), i.e. looking at emissions based on consumption rather than solely those coming from production. CBE include indirect emissions that relate to imports (and exports), added to (or subtracted from) total emissions.

Irrespective of the accounting method adopted, and as many of the low-hanging fruit have now been picked, reaching global net-zero GHG by the middle of the century while maintaining economic growth will require radical decoupling – i.e. breaking the remaining link between the economy and GHG emissions.

Radical decoupling – Breaking the link between emissions and GDP

[Reaching the 2050 net-zero emissions target](#) and ultimately radically decoupling emissions from economic growth will be possible only through behavioural and lifestyle changes, new technological developments, massive recurring investments, and research and development.

The various sectors involved will face both distinct and shared challenges. The [agricultural sector](#) can lower its carbon footprint (or even contribute to [GHG removal](#)) by sharing best practices, applying novel technology and adapting to changes in consumer preferences (see Section 3). Heavy industries, responsible for over a third of global CO₂ emissions, stand to benefit from technological breakthroughs, e.g. the use of [clean hydrogen](#) in [steel-making](#), replacing coal and coke. The widespread deployment of [electric vehicles](#), powered by renewable electricity, and the deployment of the support infrastructure will align the transport sector with the net-zero emissions path. Advances in [battery](#) technology will play a crucial role too in improving electric vehicles' weight and range, and in maintaining security of electricity supply with 100 % renewable energy. In every sector, there is the potential to accelerate the process of achieving radical decoupling through [positive tipping points](#) accompanied by behavioural changes.

The role of economic growth

Economists generally agree that [economic growth](#) has the potential to drive societal well-being and equity. Economic growth allows countries to tax revenues and use the resources gathered to improve infrastructure, provide common goods and meet citizens' needs, while also making the investments needed for radical decoupling.

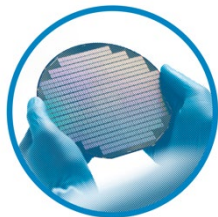
Others question the need for economic growth. Some of the proposed post-growth approaches are: [degrowth](#), [agrowth](#), [slow-growth](#), [steady state economy](#) and [doughnut economics](#). Degrowth has been [defined](#) as 'equitable downscaling of production and consumption that increases human well-being and enhances ecological conditions at the local and global level, in the short and long term'. Proponents of the idea argue that uncontrolled economic growth can result in resource scarcity, environmental degradation, and higher rates of inequality and poverty.

How to measure success

Discussions on going [beyond GDP](#) as a valid metric for progress are not new. [GDP-related issues](#) range from failure to involve non-monetary transactions, not accounting for changes in human capital and for cultural differences, counting all expenditure as positive, and overlooking the environment. Over the years, other measurements have been proposed, such as [natural capital accounting](#), the [human development index](#), the [genuine progress indicator](#), the [ecological footprint](#) and the [happy planet index](#). Still, GHG emissions need to be reduced rapidly now, no matter which metric they are placed against. In March 2021, the European Parliament, in its [resolution](#) 'on the European Semester for economic policy coordination: annual sustainable growth strategy 2021', proposed to include a climate indicator in the [European Semester](#) to build the achievement of climate objectives into the EU economic governance framework.

In the pursuit of climate neutrality, it is important not to overlook environmental issues, beyond climate and [planetary boundaries](#). To reach climate neutrality by 2050, it is imperative to achieve radical [decoupling](#) of economic activity from environmental harm and resource consumption. Various European Green Deal initiatives have begun to address these issues, such as the [biodiversity strategy](#) and the [zero pollution](#) and [circular economy](#) action plans.

2. Securing Europe's supply of semiconductors



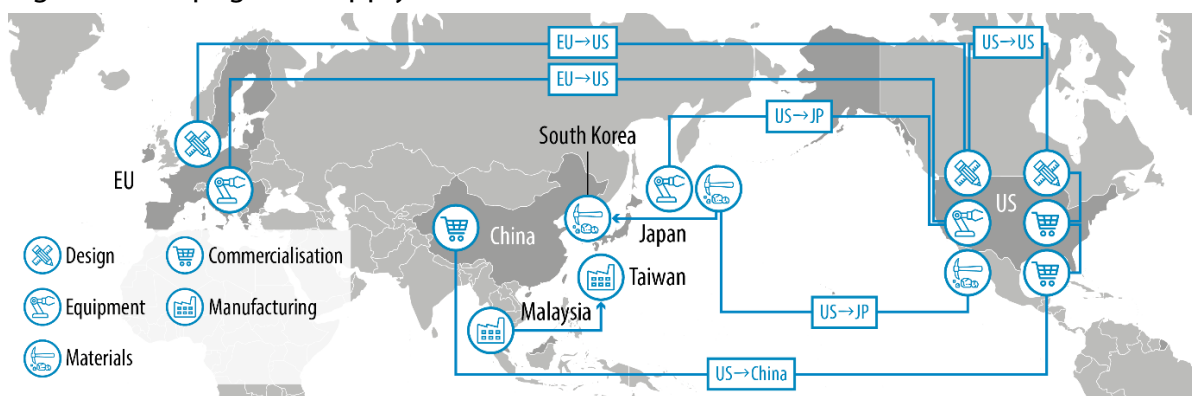
The pandemic has revealed long-standing vulnerabilities in global supply chains, and the unprecedented shortage of semiconductors is a prime example. Expected to continue well into 2022, if not beyond, this problem is a case study in what might be in store in the years to come in terms of shortages slowing down production and recovery, and rising costs and prices.

Semiconductors: The engines of the digital economy

Like the steam engine, semiconductors (often referred to as 'integrated circuits' or '(micro)chips') are one of the few ['general purpose technologies'](#) – drastic innovations that have opened up whole eras of technical progress and economic growth. Chips have enabled the development of information technologies and the ongoing digital transition. The three main categories of semiconductors are: *logic* chips – the 'brains' of electronic devices, executing complex computing operations; *memory* chips, storing information; and *discrete, analog and other* chips (DAO), such as voltage regulators or optical sensors. Advances in chip manufacturing process technology are typically described as 'nodes' – referring to the size in nanometres (nm) of the transistor gates (the key components of chips). The most advanced chips are based on the smallest nodes (below 10 nm) and consist of tens of billions of transistors. There are usually multiple semiconductors implanted on the printed circuit board of any electronic device. Used in an impressive range of products, from computers to medical devices, 5G and artificial intelligence (AI) systems, and security and defence devices, chips have become ubiquitous. They determine the characteristics of the products in which they are embedded, including their energy performance and security features.

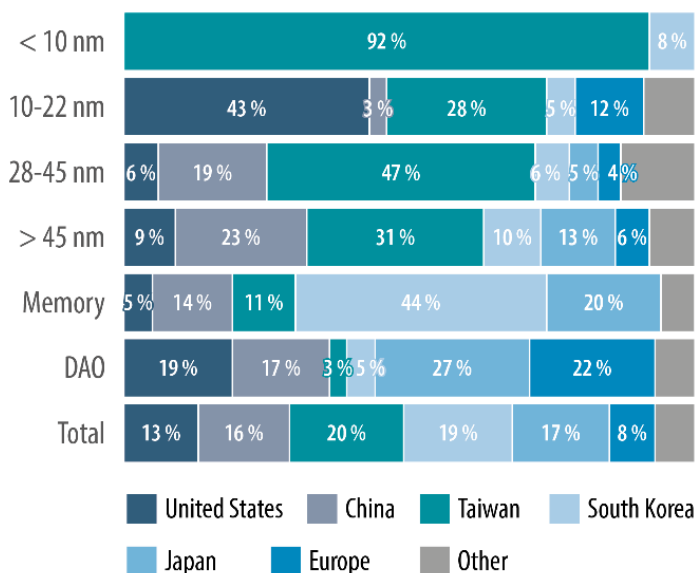
The manufacturing of chips is highly complex. It involves three main steps: chip design; production (in 'foundries' or 'fabs'), the most capital-intensive stage (a fab for advanced chips costs around [US\\$20 billion](#)); and final assembly, testing and packaging, the most labour-intensive stage. The supply chain also relies on around 300 inputs, such as ultra-pure silicon wafers, gases and chemicals, as well as on more than 50 classes of high-tech manufacturing equipment. In total, the production of a chip involves more than [1 000 steps, crossing international borders 70 times](#) before reaching an end customer (Figure 1). A large semiconductor firm may rely on as many as 16 000 suppliers worldwide. The global supply chain is characterised by geographic specialisation and deep interdependencies. It comprises more than [50 choke points](#) – steps where one region holds more

Figure 1 – Chips global supply chain



Source: [Semiconductor Industry Association](#), 2021.

Figure 2 – Global fabrication capacity by region, 2019 (%)



Data source: [Semiconductor Industry Association](#), 2021.

than 65 % of the global market share. These features make the supply chain vulnerable to disruptions caused by natural disasters, accidents, infrastructure failures, cyber-attacks and geopolitical tensions. A closer look at Figure 2 reveals that 92 % of the world's fabrication capacity for cutting-edge chips is based in Taiwan, while only four of the world's [top 35 semiconductor companies](#) are based in Europe.

Chip shortages likely into 2022 and beyond

Modern cars incorporate hundreds of semiconductors. At the beginning of the pandemic, the car industry, anticipating plunging sales, cancelled orders for chips while chipmakers

adapted their production lines to meet increasing demand for chips used in computers or smartphones, stirred by the rapid shift to a work-from-home economy. However, car sales bounced back faster than expected at the end of 2020. Furthermore, a number of extreme weather events affected the chip supply chain: a [winter storm](#) in Texas, a severe [drought in Taiwan](#), [two fires at a factory in Taiwan](#), another fire at [a plant in Japan](#), as well as [Covid-19 clusters](#) leading to the closure of factories, e.g. in Malaysia. As a result, it is estimated that the vehicle supply issues caused by the chip shortage will cost the global automotive industry approximately [US\\$210 billion in 2021](#). Production losses are expected to reach 7.7 million vehicles in 2021. At the beginning of 2021, the impact of the semiconductor shortage had spread across the global economy, affecting the [home appliances](#), [network](#) and [medical](#) equipment, [smartphones, tablets and computers](#) and [gaming consoles](#) sectors, among others. These shortages have led, inter alia, to rising costs for industry and higher prices for consumers, and have been [slowing down the pace of recovery](#) in Europe. The chip shortages, which have largely concerned 'lagging edge' chips (i.e. those developed more than a decade ago) are likely to continue [into 2022](#), or even until [2024](#), as most solutions to the shortage have long lead times (e.g. building a new factory takes between two to three years). Furthermore, even though capital expenditure by chip manufacturers has increased and will reach US\$146 billion in 2021 (+33 % compared with 2020), [only US\\$1 of every US\\$6](#) will be invested in the chip segments that have faced the biggest backlogs.

Securing the chip supply chain will not be cheap

Over the next 10 years, the industry will need to invest about [US\\$3 000 billion](#) in research and development (R&D) and capital expenditure to meet increasing demand. Moreover, the EU's competitors have pumped [massive support](#) into their chip sectors: [Chinese government support](#) for its industry between 2015 and 2025 could reach [US\\$200 billion](#), and the US government plans to spend US\$52 billion to support the sector. An [EU chips act](#) proposal is expected in early 2022.

3. Sustainable agriculture: Mission possible?



2022 marks both the [60th anniversary](#) of the common agricultural policy (CAP) and a crucial step towards sustainable agriculture. As the EU budget's [second](#) biggest item of expenditure, the CAP is the main legislative framework addressing EU agriculture and helping to shape it by means of a wide-ranging set of funding instruments. It is completed by other pieces of EU law (e.g. the [upcoming](#) new rules on the use of pesticides and on carbon removal on farms).

Over the time, emerging needs and societal demands have brought new objectives for the CAP (such as protecting the environment and preserving natural resources), and these have joined the initial ones set out in [Article 39](#) of the Treaty on the Functioning of the EU (focused mostly on ensuring food security, modernising farm structures and increasing agriculture's competitiveness). Adopted in late 2021, the [post-2022 CAP](#) requires EU Member States to draw up a CAP strategic plan setting out how they will direct the CAP's funds. These plans need to be discussed with and approved by the Commission in the course of 2022. Will these policy decisions turn the CAP's 60th anniversary into the start of a more environmentally sustainable EU farm policy? Hopes are high for agriculture to be made part of the solution to the environmental and climate crises.

Agriculture and the environment: A close relationship

Agriculture uses natural resources to produce food and other commodities. Therefore, by definition, agricultural production entails a certain level of alteration of the environment (both land and animals). Yet severe alterations of the ecosystem caused by unsustainable farming practices endanger its productive capacity, and, consequently, agricultural production itself. Inappropriate practices include over-exploitation of resources such as plants, soil, water and animals (with the recurrent emergence of [zoonotic diseases](#) in intensive livestock production systems), over-use of external inputs such as pesticides and fertilisers, and intense [irrigation](#) and mechanisation. These reduce biodiversity through the disappearance of certain species (which also threatens the [pollinators](#) essential for agriculture as they ensure plant reproduction), soil degradation (which can lead to [desertification](#), making production impossible), water pollution due to agrochemical flows (such as of nitrogen from fertilisers release into the environment), etc. The [decline in biodiversity](#) in recent decades is unprecedented in human history, with land-use changes (largely due to agricultural expansion) having a predominantly negative impact on nature.

Farming in times of climate change

Greenhouse gas (GHG) [emissions from agriculture](#) contribute to climate change. The conversion of forests and grassland to arable land, intensive livestock farming, and the dumping of organic waste in landfill are all examples of agricultural drivers of climate change. [In the EU](#), agriculture GHG emissions ([relating](#) mainly to livestock digestion processes, manure management, fertiliser use, and rice cultivation) have decreased since the 1990s, but have stagnated in recent years. On the other side of the coin, climate change is a major threat to agriculture. Whereas today the major impact on food production concerns [specific areas](#) of the world, recent [projections](#) show that other regions could face climate impacts on crop yields sooner than previously anticipated. Europe is not out of danger as weather and climate extremes are already distressing agriculture (through water availability, wildfires, floods, etc.), and projections point to [habitat loss](#), expansion of arid zones, and decreased [crop productivity](#) in parts of southern Europe, as well as reduced milk production and animal health in the [dairy sector](#), etc.

Sixty years of agricultural development ... but at a cost

Farm policies can be a positive force towards sustainable agriculture but also a negative one. Over the past 60 years, the CAP has helped to boost agricultural productivity in Europe (now [self-sufficient](#) in [most produce](#)), supply affordable food to consumers, and support farmers' income. These results have been achieved at an environmental cost, however. In successive CAP reforms, [environmental concerns](#) have gained in importance: [public opinion](#) increasingly considers that tackling climate change and protecting the environment should be the CAP's main priority. Environmental and climate objectives have been mainstreamed into the CAP by making certain requirements and measures (such as standards on land maintenance and schemes on crop diversification) prerequisites to receive CAP funds, in an effort to 'green' the CAP. However, the results so far have been [less than satisfactory](#). Evaluations indicate that the CAP has [not succeeded](#) in reversing the trend of biodiversity loss, and climate spending has had [little impact](#) on GHG emissions. [Analysis](#) points out the difficulty of quantifying the CAP's impact on mitigating climate change (as many measures [lack](#) an explicit intervention logic towards, and quantified objectives on, climate action) and weak tailoring of the CAP measures to climate change adaptation. Several [researchers](#), [scientists](#), and ecologist [NGOs](#) have criticised what they deem to be very serious shortcomings in the CAP's environmental performance.

About [6.3 million farmers](#) received CAP income support in 2019. The concentration of farmland within the hands of relatively few large farms channels the [bulk of CAP funds](#) for income support (largely area-based) to the largest beneficiary farms. The majority of the [10.5 million EU farms](#) are small and their number is in continuous decline. These farms differ substantially in terms of produce, size and practices, while most of them have in common a family-based organisation run by male farmers over 40 years of age.

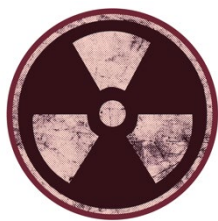
2022: Will the mission be accomplished?

One key element of the post-2022 CAP is its 'green architecture', reinforcing existing 'green' requirements and measures and introducing new ways to reward farmers for environmental care and climate action ('[eco-schemes](#)'). The success of this system will depend on the CAP strategic plans drawn up by EU Member States in 2021 to shape CAP interventions around local needs, with a view to achieving tangible results on [nine EU-level objectives](#) (including climate change action, environmental care, preservation of landscapes and biodiversity). The 'no backsliding' principle demands a greater level of ambition than at present in terms of environmental and climate goals.

A number of questions remain regarding the finalisation of the CAP strategic plans by the end of 2022. The objectives of the [Green Deal](#) and the '[farm to fork](#)' and [biodiversity](#) strategies (including cuts in agrochemical use and increased organic farming) have not been included among the quantitative targets for the plans' performance evaluation. However, the plans are supposed to be consistent with and contribute to reaching these objectives. There are doubts regarding the capacity and ambition of the EU Member States when it comes to using the flexibility offered by the post-2022 CAP. In late 2020, Commission's [country-specific recommendations](#) provided [insights](#) into each plan's focus areas and the Commission's expectations for assessment and approval of the plans in 2022. The plan-making process requires huge efforts at national level, involving strategic thinking on policy options, base-lines and targets to measure delivery, and perceived trade-offs between objectives (e.g. environmental versus economic goals). There is also a risk that the ambition is too [weak](#) to reach the targets. Early assessments of the draft plans have warned of weak 'green' ambitions, either [overall](#) or on specific elements, such as [organic farming](#) or the '[eco-schemes](#)'.

Moving towards sustainable agriculture is both an [EU commitment](#) under the United Nations sustainable development goals (SDGs) – namely [SDG 2](#) – and in farmers' long-term interest.

4. A new push for nuclear non-proliferation?



The signing of the nuclear agreement with Iran in 2015 was a milestone in global efforts to stop the proliferation of nuclear weapons. The Joint Comprehensive Plan of Action (JCPOA) constituted one of very few occasions in the history of nuclear weapons that a country agreed to end its nuclear weapons programme. However, today, the agreement exists in name only. The year 2022 will determine whether the JCPOA can continue to serve as a meaningful framework for engagement with Iran over its nuclear weapons programme. The final demise of the nuclear agreement with Iran would be a serious blow to the global nuclear non-proliferation architecture, which is already under threat from different angles. The failure to create a Middle East zone free of nuclear weapons and other weapons of mass destruction is an important challenge, and so is a rival treaty prohibiting nuclear weapons that came into force in 2021. In 2022, the 10th review conference of the Nuclear Non-Proliferation Treaty (NPT) and the first meeting of the states party to the Treaty Prohibiting Nuclear Weapons (TPNW) should test the robustness of the global framework for nuclear non-proliferation and disarmament.

The Joint Comprehensive Plan of Action

In July 2015, Iran and France, Germany, the United Kingdom (UK) and the EU, plus China, Russia and the United States (US) signed the JCPOA, a landmark agreement to ensure the peaceful nature of Iran's nuclear programme in exchange for the termination of restrictive measures against Iran. Implementation commenced in January 2016, and all nuclear-related UN, US and EU sanctions on Iran were lifted. However, US President Trump [strongly disliked](#) the agreement. Even though Iran [fully complied](#) with the JCPOA at the time, on 8 May 2018 President Trump withdrew the US from the nuclear deal with Iran and re-imposed US sanctions. [US sanctions](#) have had a very [serious impact](#) on the Iranian economy. In response, Iran announced in July 2019 that it was reducing its commitments under the JCPOA. Today, Iran is violating core provisions of the agreement, [enriching uranium](#) to [60%](#) purity (much higher than the [3.67%](#) [agreed under the JCPOA](#)), producing uranium metal that is essential to producing a warhead, and operating more powerful centrifuges. The election of Joe Biden to the US presidency in November 2020 [raised hopes](#) that the US would [rejoin](#) the JCPOA, in exchange for renewed Iranian compliance with the agreement. Six rounds of indirect US-Iran talks in early 2021 seemed to make good progress. The election of [Ebrahim Raisi](#) to the Iranian presidency in June 2021 dashed hopes of a quick breakthrough, however. [Sceptical](#) of broader engagement with the West and specifically the US, President Raisi has expressed willingness to return to the JCPOA, but [talks](#) have [stalled](#). In the meantime, Israeli Prime Minister [Naftali Bennet](#), who took office in June 2021, is continuing the policy of his predecessor, Benjamin Netanyahu, a staunch critic of the JCPOA, in trying to persuade world leaders not to re-join the nuclear agreement. The US and Israel are [exploring](#) 'plan B' [options](#) – more [sanctions](#) and covert or military action – if Iran fails to return in good faith to negotiations to restore the JCPOA.

The Non-Proliferation Treaty

In 1968, the five states that possessed nuclear weapons at the time agreed to put in place a system, enshrined in the Treaty on the Non-Proliferation of Nuclear Weapons ([NPT](#)), intended to lead to the eventual abolition of all nuclear weapons. However, rather than fulfilling the pledge to disarm that they made when they signed the NPT, nuclear weapon states are investing [massive sums](#) in more modern nuclear weapons and delivery systems. Moreover, an additional four states, including [Israel](#),

have acquired nuclear weapons since the NPT came into force in 1970, and Iran is getting dangerously close to building its own nuclear bomb. Efforts by NPT signatories to advance on the creation of a Middle East zone free of nuclear weapons and other weapons of mass destruction have failed so far. Moreover, [Turkey](#) and [Saudi Arabia](#) have both expressed an interest in acquiring nuclear weapons, and [several countries](#) in the region are introducing nuclear energy, providing them with the theoretical capability to develop nuclear weapons. A nuclear arms race in the Middle East could deal a mortal blow to the NPT and would pose a serious security risk to Europe.

The Treaty on the Prohibition of Nuclear Weapons

In the meantime, a coalition of states frustrated with the lack of progress on nuclear disarmament have responded with a new [Treaty on the Prohibition of Nuclear Weapons](#) (TPNW), which came into force in January 2021. Even though none of the nuclear states has signed the TPNW, proponents welcome it as an important milestone on the road to a nuclear weapon-free world. While critics fear that the treaty will undermine the existing nuclear disarmament and non-proliferation architecture of the NPT, some 86 United Nations member states have signed the [TPNW](#) and 56 of them have ratified it. The first meeting of the states party to the new treaty is scheduled for April 2022.

Policy response and outlook

The EU played a very important [role](#) in the negotiations that led to the adoption of the JCPOA, and continues to do so in efforts to save the agreement. Europeans introduced [several measures](#) aimed at maintaining the economic benefits of the nuclear agreement for Iran in the face of all-encompassing US extra-territorial sanctions. EU efforts failed to produce tangible economic results for Iran, but arguably prevented the total collapse of the JCPOA during the Trump presidency. Senior EU officials have [coordinated](#) the first six rounds of discussions in Vienna aimed at reviving the accord, and Europeans took a [lead role](#) in persuading Iran to return to the negotiating table in late November 2021. [Experts](#) believe that the EU should also facilitate a [regional dialogue](#) on security issues with Iran and its Arab neighbours. As trust in US commitment to the stability and security of the region is waning, several Arab Gulf States have already reached out to Iran, in a sign of rapprochement that [experts](#) believe the EU should support. Arguably, only regional cooperation and a strategic dialogue that also addresses Iran's [security concerns](#) will create optimal conditions for non-proliferation in the region. In January 2020, the [Council](#) of the EU mandated the High Representative/Vice-President of the Commission (HR/VP) to engage with all parties in the Gulf region to reduce tension, support political dialogue and promote a regional political solution. Moreover, as countries in western Asia branch out into civilian [nuclear energy programmes](#), the JCPOA's basic elements could become part of regional [non-proliferation policies](#). Promoting [civilian nuclear cooperation](#) around the Persian Gulf is one avenue the EU could explore. [Experts](#) consider it very important to create nuclear safety standards in the region. The EU has been [cooperating](#) with third states for years to secure the safety of civilian nuclear programmes. The European Parliament has been strongly in [favour of the JCPOA](#) and the [NPT](#).

In 2022, the [threat](#) from [nuclear weapons](#) is likely to [increase](#), while expectations for political progress are low. US-Iran negotiations to revive the JCPOA have reached an [impasse](#); even as talks have resumed, their outcome is [uncertain](#). Experts do not [expect](#) the NPT review conference to produce politically ground-breaking results that would be commensurate with the threat. The TPNW is symbolically important, but as long as nuclear-weapon-possessing states and NATO members are not on board, it will remain [ineffective](#) as a tool for disarmament.

5. Shaping the economic recovery



A comprehensive EU response to the crisis

In 2020, the coronavirus pandemic plunged the global economy into a [deep recession](#) on a scale unseen since the 1930s, not least in the European Union (EU). EU institutions and Member States took many significant measures to mitigate the socio-economic impact of this major shock (see Section 6), including the monetary policy response of the [European Central Bank \(ECB\)](#), a departure from the budgetary requirements under the [stability and growth pact](#) and full flexibility for [State aid rules](#). In addition, the EU decided to create a temporary recovery instrument worth €806.9 billion, [Next Generation EU \(NGEU\)](#), which represents a major innovation in EU finances. NGEU is linked to the traditional EU budget, but is financed through borrowing operations that the European Commission has been authorised to carry out on an unprecedented scale for the EU. The establishment of NGEU was the result of a [consensus](#) on the need to complement ECB action and national stimulus packages with a coordinated common fiscal response, not least to address the challenges that the pandemic was posing for the smooth running of the single market and the euro area. With the pandemic hitting Member States with varying intensity, an uneven recovery is a risk for all, given the deep interlinkages of national economies within the EU and the euro area.

The comprehensive package of measures that is NGEU has helped the Union's economy rebound from the crisis faster than expected. According to the [European Commission](#), the EU economy had regained its pre-pandemic volume of output by summer 2021: most Member States were fully recovered by the end of 2021, while a few others are expected to reach this stage in 2022. The EU labour market should complete its recovery in 2022, with some 3.4 million jobs projected to be created over the next two years. The pace of recovery has been faster than what the EU experienced following the [2008-2012 financial and sovereign debt crises](#). However, there is no room for complacency, since a number of risks to the economic outlook persist, including surging energy prices, disruptions in supply chains for key industries, and new waves of coronavirus infections. Conversely, the [factors](#) that may improve the growth prospects include positive structural changes triggered by the investments and reforms supported by NGEU, which is expected to be fully deployed as of 2022. As the name of the main spending instrument under NGEU hints, the goal of the [Recovery and Resilience Facility \(RRF\)](#) is to help EU and national economies not only rebound, but also emerge from the crisis stronger than before, addressing a number of structural weaknesses.

A crucial year for implementation of Next Generation EU

The RRF supports investments and reforms in Member States with up to €723.8 billion (of which €338 billion in grants and €385.8 billion in loans), setting common objectives and key areas of intervention to make European economies and societies more resilient, sustainable and inclusive. Notably, it aims to address the challenges and opportunities of the green and digital transitions, which are to receive at least 37% and 20% respectively of total allocations. Areas identified as crucial for investment include: clean technologies and renewables; energy efficiency of buildings; sustainable transport; rapid broadband services; digitalisation of public administration; data cloud capacities and sustainable processors; and education to support digital skills.

The year 2021 saw [intensive preparation](#) of national recovery and resilience plans (NRRPs) by Member States, most of which have been given a positive assessment by the Commission and approved by Council. At the end of December 2021, the Netherlands had not yet submitted its NRRP,

while those of Bulgaria, Hungary, Poland and Sweden were still being assessed. In total, the RRF is currently expected to channel around €500 billion towards investment and reform, since only seven Member States decided to request its loan component. Following a 13% pre-financing, the next payments will depend on the achievement of the qualitative and quantitative objectives (or milestones and targets) agreed in the NRRPs, thanks to an approach that links disbursements to results more closely than is the case for other EU budgetary instruments.

While a number of measures were started last year, 2022 will be the first year of full deployment of the RRF. The magnitude of the tasks ahead is significant. [Analysts](#) have highlighted that it will be a challenge for Member States to implement the ambitious plans and absorb relevant resources in the relatively short timeframe of the RRF, since all measures must be completed by 2026. In 2022 alone, for example, a sample of 18 Member States have, in total, to meet over 900 milestones and targets, which often have very practical implications for EU citizens.

Examples include: upgrading the information and communication technology (ICT) infrastructure of 3 840 Belgian schools; rebuilding 226 km of public water supply network in Croatia; making an additional 1.7 million housing and business premises eligible for connection to fibre in France; training an additional 5 000 learners with high-level ICT skills in Ireland; increasing the network capacity for distributing renewable energy in Italy; and improving energy efficiency in residential buildings in Latvia.

The [European Commission](#) expects the RRF to boost both private and public investment, noting that its multi-year impact has the potential to keep growth more dynamic than in the pre-pandemic period. Thus, the RRF should help to prevent a repeat of the [investment gap](#) that has afflicted the EU for several years since the 2008-2012 crises, but NRRPs must meet their objectives for this to happen. If a Member State does not achieve tangible progress on any milestones and targets within 18 months of approval of the plan, the Commission will withdraw support.

The implementation of NGEU has been in the spotlight from the very beginning, given the size and visibility of the instrument and the high expectations linked to it. According to a [Flash Eurobarometer survey](#), around 60% of European citizens believe that NGEU will help their country to overcome the economic and social damage brought about by the pandemic and be better prepared for future challenges. A large majority (85%) agree that there must be transparency and effective control over how resources are spent, but 41% of respondents question the capacity of their national governments to use the funds properly.

In 2022, the [European Court of Auditors](#) is expected to publish audits on the approval process for the national plans, RRF control systems and NGEU debt management. By 31 July 2022, the Commission is to present a review report on the implementation of the RRF to the European Parliament and to the Council, assessing the extent to which the implementation of the national plans is in line with the scope, and contributes to the objectives, of the RRF. In addition, the European Parliament will tackle the scrutiny of the RRF in the framework of the [discharge procedure](#) for the first time, when examining the implementation of the 2021 EU budget. Parliament is also pushing for progress on the adoption of new [EU own resources](#) to repay funds borrowed under NGEU when these become due.

Some experts have argued that NGEU could be made permanent, identifying [benefits](#) that this could bring to the design of EU finances, including the [stronger conditionality](#) embedded in milestones and targets. Opinions in the debate differ, but the legacy of NGEU is likely to depend strongly on how well Member States implement their national plans.

6. ECB monetary policy: Caught between a rock and a hard place



'For monetary policy today, patience is the most courageous form of action'. This [conclusion](#) delivered by Fabio Panetta, Member of the Executive Board of the European Central Bank (ECB), at the end of 2021, reflects perfectly the tightrope the Bank is facing in 2022 and beyond, between a premature tightening of monetary policy and inflation expectations anchoring above the 2% target.

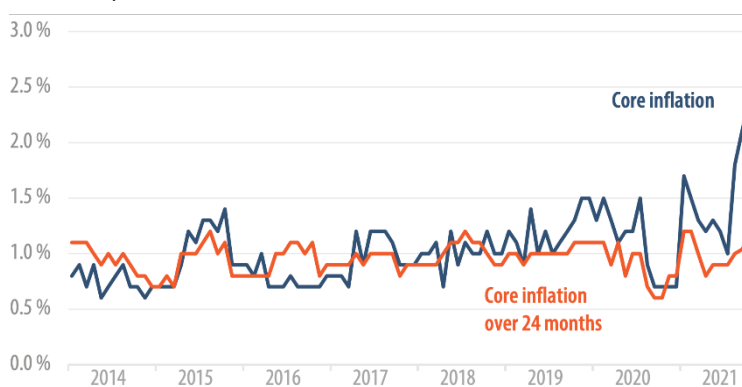
The shutdown of the economy triggered by measures to fight the Covid-19 pandemic resulted in unprecedented economic fallout. Adverse economic effects on European economies called for a rapid and vigorous response, which the ECB provided through a broad set of monetary measures designed to cushion the effects of the most severe economic recession since the 1930s. The ECB recalibrated its [longer-term refinancing operations](#), expanded eligible [collateral](#) and, most notably, launched a €1.85 trillion pandemic emergency purchase programme ([PEPP](#)). All these measures helped to preserve favourable financing conditions over the pandemic period for all sectors of the economy, thereby underpinning economic activity and safeguarding medium-term price stability – the primary objective of the ECB.

Inflation – Transitory or persistent?

From the start of the pandemic, inflation rates dropped, both for the EU and for the euro area, even into negative territory. However, as the economic recovery gained momentum, inflation rates soared to [4.9% in November 2021](#), a record high amid the persistent energy crunch. Nevertheless, the ECB in its latest [monetary policy decision in December](#) stated that 'inflation will remain above our target for most of 2022, but is likely to ease in the course of next year'. At the same time, there is a complex mixture of factors at work with the potential to put more sustained upward pressure on consumer prices.

In the [short run](#), two main factors distort the picture: i) the increase in energy prices, which has a strong impact on headline inflation; and ii) the base effect due to the temporary fall in prices at the trough of the Covid-19 recession in 2020. If corrections are made for both these distortions by looking at core inflation rates over 24 months (to eliminate the [base effect](#) and excluding volatile price elements), inflation is just 1.4%, noticeably above the average of 1% between 2014 and 2021 (Figure 3). At the same time, changes in value-added tax rates, increasing [commodity prices](#) and surging [transportation costs](#) are additional factors that could increase inflation rates. Supply constraints are [expected](#) to persist for a year or longer (see Section 2) and cost pressures are likely to be passed on to prices.

Figure 3 – Inflation over the preceding 12 and 24 months, at annual rate in %



Source: [Eurostat](#).

In the longer run, labour shortages might continue in some sectors while the unemployment gap closes in others. This could support the demand for higher wages, potentially feeding a [wage-price spiral](#), although there is no sign yet of [wage pressure](#). Forgone consumption might lead to pent-up consumption through excess savings, while rising [inflation expectations](#) might lead to more persistent and higher inflation rates through second-round effects.

While a swift monetary policy intervention was crucial in the advent of the pandemic, reversing the ECB's monetary policy trajectory from an accommodative stance is a delicate exercise. The operational framework of the euro system has on one hand the lever of nominal interest rates (i.e. the [main refinancing operations](#), the rate on the [deposit facility](#) and the [marginal lending facility rate](#)) that are used for the standard set of instruments such as [open market operations](#), [standing facilities](#) and the [minimum reserve requirements](#) for credit institutions. Since nominal interest rates have come close to their [effective lower bound](#), the ECB has implemented several non-standard monetary policy measures, such as the [asset purchase programme](#). Another tool, which gained significance in particular when nominal policy rates were close to the effective lower bound, is [forward guidance](#), influencing market expectations of future levels of interest rates. Evidence suggests that the ECB's forward guidance has [helped](#) to reduce yields significantly, raising activity and inflation. This approach is therefore likely to be an integral part of the ECB toolset in future.

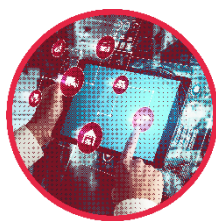
However, recalibrating interest rates and unwinding asset purchases is a tightrope walk that involves balancing several objectives. Unequivocal and clear guidance is crucial for financial markets to price in future costs of money while sudden policy reversals could lead to severe downturns in [financial assets](#). Similarly, [rising fiscal debt](#) built up during the pandemic (the EU countries' debt to GDP ratio [increased](#) from 79.8% in the first quarter of 2019 to 92.9% in the first quarter of 2021) has been underpinned by favourable financing conditions for Member States that could get [tighter](#) should such conditions be withdrawn. This may be necessary if pressures prove more persistent and [greater than expected](#), potentially driving inflation rates above the medium-term [target](#) of 2%.

The exit strategy

Against this backdrop, the ECB is set to face a difficult trade-off in the near future. If it decides to tighten its monetary policy stance decisively owing to persistent inflation pressure, this could cause stress on the financial markets, in particular on [sovereign bond markets](#), which in turn affect [financing conditions](#) for Member States, while slowing economic recovery, potentially repeating a [mistake](#) from the sovereign debt crisis in 2011. On the contrary, if the ECB does not react to inflation concerns, it might put its primary objective ([price stability](#)), and consequently its credibility, at stake.

In a first move, the ECB President, Christine Lagarde, announced in the September 2021 [monetary policy statement](#) that the Bank would slow its purchases of government bonds. Inspired by Margaret Thatcher's famous quote 'the lady is not for turning', she reformulated it to 'the lady isn't tapering'. The PEPP will end as [planned](#) in March 2022 while the ordinary [asset purchase programme](#) (APP) will expand to keep the overall trajectory of asset purchases on a declining trend. This gives a glimpse into the ECB's exit strategy. Already at the [Governing Council meeting](#) in July 2021, the ECB specified that it would raise interest rates only if the inflation outlook by the projection horizon reached 2% and remained there. Therefore, net purchases are expected to continue until 'shortly' before the ECB starts raising the key policy rates. While increasing nominal rates will have significant effects not only on financial markets but also on the real economy, it will take some time for a slow increase in [nominal rates](#) to bring real rates back to zero. The monetary balancing act will hinge on inflation developments going forward, post-Covid economic recovery and whether or not the ECB decides [to lean into the wind](#).

7. Internet of things: Securing the uptake of connected devices in the EU



The internet of things ([IoT](#)) refers to the connection of an increasing number of devices and objects to the internet, from self-driving vehicles to smart household appliances, industrial machines, and smart city applications. With regard to [smart cities](#) in particular, IoT applications are offering the ability in cities worldwide to monitor, manage and control devices remotely, and to gain new insights and actionable information from massive streams of real-time data. IoT applications are also playing a major role in various other fields, sparking innovation for the benefit of consumers, industry, government and the research sector.

The number of connected IoT devices worldwide has been growing rapidly and is set to [increase](#) from 30.4 billion in 2020 to as many as 200 billion in 2030. To reap the benefits of this dynamic and innovative development, the European Commission has adopted an [EU IoT policy](#) that involves supporting policy actions to accelerate the take-up of the IoT and unleash its potential in Europe to serve European citizens and businesses. To be effective, EU IoT policy must offer a framework to promote the development and further uptake of the IoT while at the same time ensuring that IoT technologies deliver real benefits for people. To that end, the policy is based on three strands: a thriving **IoT ecosystem**; a **human-centred IoT approach**; and a **single market for IoT**.

A range of EU initiatives are expected in 2022 to promote the use of the IoT in Europe: the European strategy for data, adopted by the Commission in 2020, should culminate in a proposal for a data act in early 2022. This proposal would aim to facilitate access to and use of data, including data generated from the IoT. The EU's cybersecurity strategy, adopted by the Commission in 2020, would be boosted by a European cybersecurity resilience act that the Commission expects to publish in the third quarter of 2022. In this same period, the Commission is also planning to propose a [review of the Product Liability Directive](#) with a view to improving legal certainty and boosting trust in emerging technologies, including the IoT, by adapting liability rules to the digital age. These policy actions must be well coordinated and harmonised in order to deliver positive results. The initiatives can be divided into the three following categories.

Data access and use

The free flow of data is an essential condition for the development and functioning of the IoT. Companies, members of the public, government and all stakeholders will only make the IoT flourish if they are sure that they can transfer and use data freely within a legal framework that provides legal certainty and adequate protection. To this end, in [February 2020](#) the Commission adopted a [European strategy for data](#) outlining policy initiatives to foster free flow of data across national borders in the EU.

As the first step in implementing this strategy, the Commission adopted a proposal for a [data governance act](#) in November 2020. The [proposal](#) is about facilitating data sharing across the EU and between sectors by strengthening mechanisms that increase data availability and foster trust in intermediaries. The co-legislators reached [agreement](#) on the proposal in trilogue in early December, and the act is expected to be formally adopted early in 2022.

The main objective of the forthcoming [data act](#) is to improve legal certainty on access and use of co-generated non-personal data. That includes data generated from the IoT. Establishing legal

certainty on access and use of such data is crucial for the IoT, which can only reach its full potential if data flow freely. After having carried out a [public consultation](#) in 2020, the Commission is expected to table a legislative proposal in early 2022.

Cybersecurity and standardisation

The trend towards ever more complex cybersecurity threats, such as [highly sophisticated supply chain compromises](#), has led to a need for more robust security frameworks for IoT devices and networks. At the same time, the current fragmented approach to product cybersecurity is causing security risks and legal uncertainty. To reach their full potential, IoT applications need a high degree of interoperability. The challenge is therefore to tackle cybersecurity threats in a robust and effective manner while avoiding unnecessary fragmentation and promoting interoperability.

To address this issue, according to the [Commission's 2022 work programme](#), the Commission is intending to table a proposal on a European cybersecurity resilience act in the third quarter of 2022. The Commission already presented a comprehensive [cybersecurity strategy for the digital decade](#) in December 2020, outlining a path towards a widespread internet of secure things. The aim of the forthcoming proposal would be to establish common standardisation standards for cybersecurity products that could increase the interoperability of connected devices. The Commission is also expected to foster standard-setting following its June 2021 [preliminary report – sector inquiry into consumer internet of things](#), which found, inter alia, that formal standards are currently not in a position to compete effectively with the proprietary technologies of the leading providers.

Liability

Users of IoT products, be they consumers, industry, public administration or researchers, will be confident in using IoT products only if there is clarity about liability in cases of potential damage. It is therefore crucial that future EU legislation in the field brings legal certainty with regard to liability for potential failures of, and damage caused by, IoT products.

Legislative solutions are expected in the [forthcoming review](#) of the product liability directive. That initiative proposes to bring the current rules that ensure that producers compensate consumers for damage caused by defective products, including the IoT, up to date with the digital age.

Outlook

Expectations of 2022 are high for initiatives on data access and use, cybersecurity and standardisation, and liability of emerging technologies. If these initiatives take into account the existing challenges and limitations regarding IoT applications, and are sufficiently well coordinated and harmonised with each other, the EU could achieve a more favourable environment for an innovative IoT in the future. Another desirable outcome would be that these EU initiatives play a pivotal role in setting global standards for the IoT, for instance in the context of the newly formed [EU-US Trade and Technology Council](#), which has been set up as a platform for transatlantic collaboration and standard-setting for emerging technologies.

8. Uncharted waters: What to expect after the Conference on the Future of Europe



A broad and deep debate

The [Conference on the Future of Europe](#) was announced in 2019, began in May 2021 and is expected to reach conclusions in spring 2022. While discussions on the future of Europe are not new, the breadth and depth of the current debate surpasses [previous exercises](#). A truly innovative process thanks to the [four citizens' panels](#), the conference gives voice to citizens in what is intended to be a genuine bottom-up process. The citizens' panels, together with the multilingual digital platform, the conference plenary and the decentralised events, make up the [four pillars of the conference](#).

The **citizens' panels' activities** started in September 2021 with in-person sessions to identify the issues to debate. The second set of meetings were held in digital form, while some of the third set took place in prestigious European universities (The conference's activities have been significantly affected by the public health situation in the EU). The [four citizens' panels](#) are dealing with a vast range of policy areas: [Panel 1](#): stronger economy, social justice, jobs/education, youth, culture, sport/digital transformation; [Panel 2](#): European democracy/values, rights, rule of law, security; [Panel 3](#): climate change, environment/health; [Panel 4](#): EU in the world/migration. Each panel is made up of [200 EU citizens](#) randomly selected but representative of the EU population, and will be reporting on their recommendations to the [conference plenary](#). Citizens' panels are a novelty at EU level but less so in other countries, such as Ireland, Canada and France, where various forms of [participatory democracy](#), such as citizens' assemblies, have already been tested. The EU version of these assemblies faces the further challenge of being transnational in nature and broad in substance. Yet it is precisely this diversity and breadth that adds value to the debate, conveying the synthesis of variegated points of view from citizens of all Member States. While citizens have been at the centre of the debate, the mechanisms of participatory democracy within the conference were not meant to replace representative democracy but rather to [reinforce it](#). According to [Article 10 of the Treaty on European Union \(TEU\)](#), representative democracy remains the foundation of the functioning of the EU. The citizens' panels are managed professionally with a rigorous methodology and a clear deliberative protocol guiding the formulation of recommendations developed collectively by panel participants. The credibility of the process will depend on the efficiency of this process as well as on the political will of the EU institutions to follow up on the citizens' panels' recommendations once they have been delivered. However, precisely because participatory democracy does not replace representative democracy, the citizens' recommendations might not be embraced in their entirety by the conference plenary. Article 17 of the conference [rules of procedure](#) states that the plenary must make proposals to the Executive Board on a consensual basis. Consensus should comprise agreement at least between the [representatives](#) of the European Parliament, the Council, the European Commission and national parliaments, on an equal footing. If there is a clear diverging position between citizens' representatives taking part in national events and/or European or national citizens' panels this should be expressed in the report by the Executive Board.

As the panel reports show, the **citizens' debates** are varied and rich. Citizens have been eager to discuss a variety of aspects within the same broad policy areas. This prompted the subdivision of the debate into several work streams per panel. While panels will issue the final recommendations only at the end of the three sessions, the citizens' contributions on the multilingual digital platform,

recorded in the interim reports, give a first impression of their ideas. The platform features nine policy areas. Since the early months of the conference, the topic of European democracy has attracted the highest number of contributions, followed by climate change, environment and a stronger economy, while Europe in the world features in fourth place. The country showing the highest number of contributions per million inhabitants on the platform was Finland, followed in order by Latvia, Belgium and Luxembourg. To give a snapshot of citizens' ideas, on European democracy, ideas to restructure the European institutions featured prominently, including federalising the EU, increasing public participation, overcoming decision-making based on unanimity in the Council, and Europeanising elections to the European Parliament with transnational lists and campaigns. However, interaction on topics such as migration was more polarised, with, on the one hand, views opposing migration, voicing fears for loss of cultural identity and calling for reduced migration, and on the other positions underlining respect for human rights and integration, calling for more development aid to be given to the countries of origin.

Where next after the conference?

Inasmuch as the conference represents a true moment of reflection, the time span within which it is taking place is rather short. It remains to be seen if the conference will be able to conclude its work in spring 2022 under the French Council Presidency. The future scenario after the end of the conference obviously depends on the concrete proposals that the citizens' panels and the conference plenary produce, on which basis the Executive Board will draft the conference report ([Rule 18](#)). Although in principle they have not been ruled out, far-reaching reforms do not seem likely to take place within the current set-up of the conference, as some [commentators](#) have highlighted. As Council noted in its [position](#) of February 2021, 'the Conference does not fall within the scope of Article 48 TEU'. The current conference set-up is not technically a convention within the meaning of [Article 48 TEU](#), as would be required for deep reform, i.e. to modify EU competences. That said, the conference's current composition does not differ greatly from that of a convention. Nevertheless, this does not diminish the conference's impact as a [vehicle for future reform](#). If enough political pressure is generated within the citizens' panels and the conference plenaries, the possibility of establishing such a 'reforming' convention cannot be ruled out. In this vein, a change in approach will be necessary, whereby Treaty change is no longer viewed as a taboo; particularly by Council, the institution that has traditionally been [reluctant](#) to engage in such a discussion.

If Treaty change is not on the horizon in the short term, then a scenario of 'soft' reforms could be considered, whereby some changes could be introduced by leveraging the [full potential of the current Treaties](#). This would mean exploring the **unused potential of the Treaties** in several fields, from overcoming unanimity through qualified majority voting, using [passerelle clauses](#) to strengthen the EU dimension of European elections, or improving decision-making on the common foreign and security policy. In this respect, Parliament has already contributed in 2017 with a [resolution](#) offering a useful starting point, proposing for instance to limit the intergovernmental approach, make more frequent use of its own right of legislative initiative, reduce the number of Council configurations, and transform Council into a genuine legislative chamber. A mechanism to follow up on the conference's conclusions is also a possibility, in order to bring in 'soft' reforms.

One possible innovation that featured in the discussions preparing for the conference, and that has since been the subject of a specific Parliament [resolution adopted on 2 July 2021](#), is the introduction of a **permanent participatory mechanism** to involve citizens in EU decision-making beyond the traditional electoral period.

9. LGBTIQ equality: Somewhere over the rainbow



A [union of equality for all](#) is still some way off, but for rainbow families, elements of the promises made in the [LGBTIQ equality strategy](#) are expected to be kept in 2022. The Covid-19 pandemic has exacerbated existing inequalities, and LGBTIQ people and rainbow families have been affected especially severely. This exacerbation of previous inequalities can be distinguished in three different areas: free movement, equality, and hate crime. Each area is to be addressed in 2022, bringing the EU a step closer to a union of equality.

Enabling free movement

Rainbow families (same-sex couples, with or without children) encounter [many obstacles](#) when exercising their right to free movement. When crossing borders, it is not guaranteed that they will be treated as married or even that their children will be considered theirs. This is an enormous burden for same-sex couples. In the [2020 citizenship report](#), the Commission announced plans to review the 2009 guidelines on the [Free Movement Directive in 2022](#). Since these guidelines were adopted over a decade ago, there have been major developments. At the time, only four Member States had [introduced same-sex marriage](#); since then, nine more Member States, plus the United Kingdom, have introduced it. Similarly, in 2009, 14 Member States had some form of registered partnership for same-sex couples. In the meantime, seven more have introduced registered partnerships, or same-sex marriage.

Developments in case law have also clarified Member States' obligations under EU free movement legislation. The case law of the Court of Justice of the European Union (CJEU) ensures harmonious interpretation of EU law in the Member States. In 2018, the CJEU made a [landmark ruling](#) in the *Coman case*, stating that EU Member States must recognise a same-sex marriage concluded in a Member State for the purposes of granting a residence permit. This case also illustrates that turning judgments into [reality](#) can be difficult. As Romania had still not granted a residence permit and Coman and his spouse were forced to go to the [European Court of Human Rights](#) (ECtHR), in September 2021 the European Parliament [called](#) on the Commission to enforce this judgment.

Furthermore, beyond the EU legal order, there has been a great deal of case law from the ECtHR that has consequences for the interpretation of EU free movement legislation. At the start of 2022, there are dozens of cases pending before the ECtHR, some of which will be decided in the course of the year. This will determine the minimum rights guaranteed for rainbow families, since the Charter of Fundamental Rights guarantees at least the same rights as those guaranteed by the European Convention on Human Rights (ECHR).

In legal terms, for same-sex parents crossing borders can mean losing a child. In her first [State of the Union](#) address in 2020, the European Commission President, Ursula von der Leyen, stated that she would also 'push for mutual recognition of family relations in the EU', stating that if you are a parent in one country, you are a parent in every country. This principle was further developed in the 2020-2025 [LGBTIQ equality strategy](#), which announced that the Commission would propose a legislative initiative to support 'the mutual recognition of parenthood between Member States', meaning the parenthood validly attributed in one Member State must be recognised in all Member States. While rainbow families are not alone in being affected by problems of non-recognition of parenthood, the issues are especially severe and frequent where they are concerned. The fact that the legal links between a child and one or both (same-sex) parents are not recognised across the EU not only

inhibits rainbow families from exercising their right to live and travel in other Member States. It can also mean that their children cannot acquire EU citizenship, or can even remain stateless. This is especially important in the light of the CJEU's judgment of 14 December 2021 in case [C-490/20](#). In that case the Court decided that a Member State must recognise a birth certificate mentioning two mothers to enable a right of entry and residence of a child; and if the child has this Member State's nationality, it should issue the child an identity card or a passport. However, this case still leaves much uncertainty over when the parenthood would have to be recognised for other purposes. A [similar case](#) originating in Poland is still pending before the CJEU.

Ensuring equality

[Equality legislation](#) concerning LGBTIQ persons ensures non-discrimination in specific areas only, e.g. labour. The 2008 [horizontal equality directive](#) proposal would have a more general scope of application, meaning that it would also be applicable to buying goods or services. While it remains elusive, owing to a [lack of unanimity](#) in Council, the EU's equality framework is moving ahead.

A law is only as good as the possibility to rely on it, and equality laws are definitely no exception. Where rights are concerned, the systems in place must enable rights-holders to enforce those rights if they are denied. Equality bodies play a major role in the implementation and enforcement of equality legislation. Under EU equality legislation, all Member States are required to designate national bodies to combat discrimination based on [race and ethnic origin](#) and [gender](#). Many have gone beyond these requirements and [set up equality bodies](#) covering discrimination based on other grounds, including sexual orientation. In the third quarter of 2022, the European Commission intends to adopt a proposal on [strengthening the role and independence of equality bodies](#).

Countering hate crime

LGBTIQ people have suffered increased [hate speech and risk of violence](#) during the pandemic. There have even been instances reported of the LGBTI community being blamed for the pandemic.

[Article 83\(1\) of the Treaty on the Functioning of the European Union \(TFEU\)](#) provides an exhaustive list of areas of particularly serious crime with a cross-border dimension (known as 'EU crimes') for which the European Parliament and Council may establish minimum rules concerning the definition of criminal offences and sanctions. On 9 December 2021, the Commission adopted a communication with a view to extending the list of EU crimes in Article 83(1) TFEU to include hate speech and hate crime. This would enable the Commission to propose [secondary substantive legislation](#) establishing minimum rules concerning the definition of hate speech and hate crimes offences, including on the grounds of sex and sexual orientation, and the consequent sanctions.

Another issue facing people and organisations that act against hatred is that they are targeted not only with oral and physical abuse, but also with abusive litigation. The Commission intends to propose an initiative against 'strategic lawsuits against public participation' ([SLAPP](#)), with a view to protecting journalists and human rights defenders.

One day in the not so distant future?

The LGBTIQ equality strategy is based on a vision of a Europe where all people, in all their diversity, are equal – where they are free to pursue their lives regardless of sexual orientation, gender identity or expression or sex characteristics. While there is still much to do to guarantee full equality, 2022 will be a year where steps are taken to make this dream come true.

10. Forward with EU defence



From defence 'ecosystem' ...

In September 2021, as the situation resulting from the United States and North Atlantic Treaty Organization (NATO) troop [withdrawal](#) from Afghanistan and the Taliban takeover of Kabul was unfolding, the President of the European Commission delivered a State of the Union [address](#) with an increased emphasis on security and defence. Ursula von der Leyen outlined concrete proposals in the field, and stated unequivocally: 'The good news is that over the past years, we have started to develop a European defence ecosystem. But what we need is the European defence union', a goal enshrined in the [Treaty of Lisbon](#) and traditionally [supported](#) by the European Parliament. Von der Leyen announced a **European Defence Summit** to be held under the French Presidency in 2022. On 2 October 2021, meanwhile, the President of the European Council [declared](#) that '2022 will be the year of European defence', alluding to the intensification of defence priorities. His comments followed widespread French and European dissatisfaction with the surprise announcement of the defence pact between Australia, the United Kingdom and the United States (AUKUS) and the cancellation of a defence procurement agreement between Australia and France. Beyond its unfortunate coincidental timing with the presentation of the EU's [Indo-Pacific strategy](#), a 2021 Commission priority with geopolitical and strategic implications, AUKUS alongside Afghanistan brought to the fore [questions](#) about the level of transatlantic coordination in security and defence, as well as the EU quest for [strategic autonomy](#).

The move towards the 'EU of defence' follows a series of [developments](#) under the 2016 EU Global Strategy, such as Treaty-based permanent structured cooperation ([PESCO](#)), the [European Defence Fund](#) (EDF) under the 2021-2027 multiannual financial framework, closer [cooperation](#) with NATO, a plan to facilitate [military mobility](#) within and across the EU and in coordination with NATO, and revision of the financing of military missions and operations to make them more effective through the (off-budget) [European Peace Facility](#) (Figure 4).

Meanwhile, in NATO

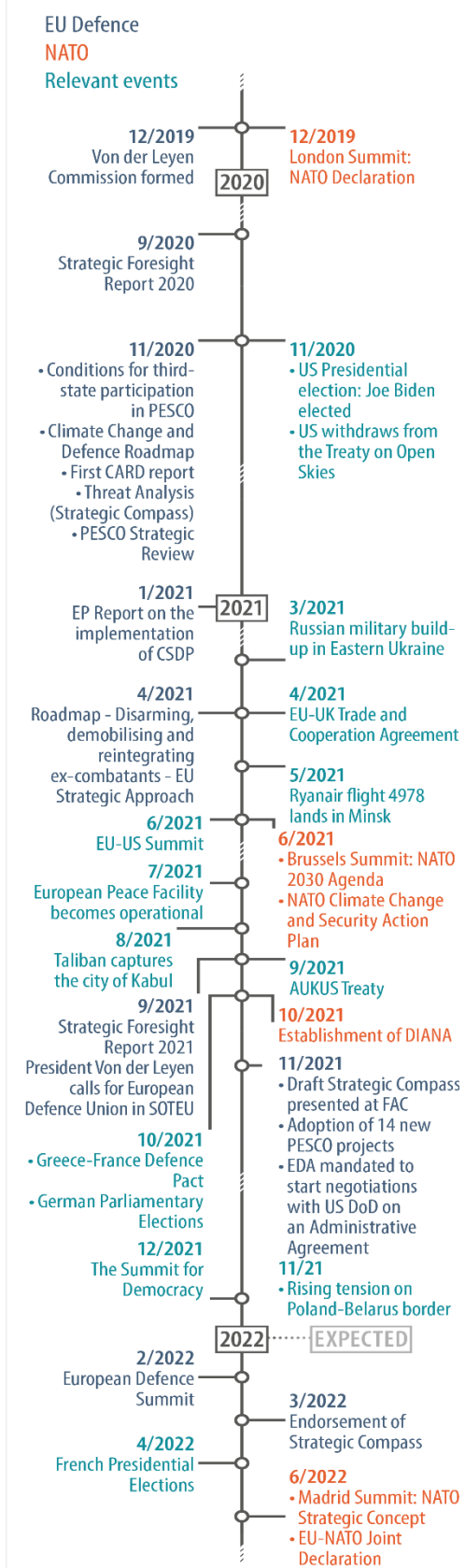
2022 will be a significant year for NATO too: the Madrid Summit is expected to produce a new 'strategic concept' (NATO endorsed the forward-looking [NATO 2030](#) agenda in June 2021). Innovation will also be a key priority for NATO, with 17 allied countries (excluding the US) operationalising NATO's first [Innovation Fund](#) worth €1 billion. In parallel, NATO's Defence Innovation Accelerator for the North Atlantic (DIANA) is expected to become operational by mid-2022. Furthermore, according to both the 2021 State of the Union and the draft Strategic Compass, **a new EU-NATO joint declaration** will be presented in 2022.

The idea that the EU should [deliver](#) in the area of security and defence has become increasingly popular with citizens as the [global environment](#) becomes less predictable. Put together, geopolitics, popular demand, and leadership are likely to make EU defence a key issue to watch in 2022.

... to defence union?

A highly (if not the most) anticipated event on the EU defence agenda for 2022 is the endorsement of the [Strategic Compass](#) by the European Council, expected on 24-25 March. It will outline initiatives to enhance the EU's capacity to act in defence and to develop strategic autonomy, based on four areas referred to as 'baskets': crisis management, resilience, capabilities and partnerships. According to the [media](#) and leaked versions of the document, it will establish an 'EU rapid deployment capacity' by 2025 to be able to 'swiftly deploy a modular force of up to 5 000 troops'.

Figure 4 – Developments in EU defence under the current Commission



The Strategic Compass will play a significant part in the building of a common EU strategic culture, a subject of long debate, particularly since President Macron's [Sorbonne speech](#). Based on a joint threat analysis carried out in late 2020 by the Member States, the compass should reconcile divergences between Member States over what constitute priorities for EU action in security and defence. The actions proposed in the final agreement should also further build solidarity, by taking concrete steps for the [implementation](#) of relevant [Treaty articles](#) such as Article 42(7) (mutual assistance clause) of the Treaty on European Union (TEU) but also options for flexible action (e.g. Article 44 TEU). The European Defence [Summit](#), possibly to be held in February, should help Member States move forward on key questions raised by the Strategic Compass process.

The Commission President outlined three additional proposals in her 2021 State of the Union address: a **joint situational awareness centre** to support collective decision making; a **waiver on value-added tax for all military and defence equipment** manufactured in Europe to boost interoperability by supporting European industry; and a European cyber-defence policy. On the latter, the [2022 Commission work programme](#) announces a **European cyber-resilience act**. It also includes a **roadmap on security and defence technologies**, a non-legislative proposal aiming to enhance synergies and boost the EU's technological autonomy in the defence sector, complementing the defence component of the 2021 [action plan](#) on synergies between civil, defence and space industries. Industrial aspects of defence have been featuring higher on the EU agenda since the creation of a Directorate-General for Defence Industry and Space (DEFIS) under the current Commission and the launch of the EDF. Ongoing talks on establishing a [defence innovation hub](#) within the European Defence Agency (EDA) aim to place the EU on a par with the US and NATO in defence industrial innovation.

EU-US relations in security and defence are also likely to evolve following the visit of US President Biden to Europe in spring 2021, and the [EU-US Summit](#). The first [EU-US high-level dialogue](#) on security and defence could now take place in 2022, while as of November 2021, EU defence ministers have tasked the EDA with negotiating an [administrative arrangement](#) (AA) with the US Department of Defense (DoD).

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This is the sixth edition of an annual EPRS publication aimed at identifying and framing some of the key issues and policy areas that have the potential to feature prominently in public debate and on the political agenda of the European Union over the coming year.

The topics analysed encompass achieving zero greenhouse gas emissions while maintaining economic growth, securing supply chains of semiconductors, moving towards sustainable agriculture, ensuring nuclear non-proliferation, shaping the economic recovery, striking the right balance in European monetary policy, promoting the uptake of connected devices in the EU, harnessing the momentum of the Conference on the Future of Europe, encouraging a continent where people in all their diversity are equal, and strengthening a European defence union.

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