

KEY LEGISLATIVE TAKEAWAYS FROM THE CZECH EU PRESIDENCY & PRIORITIES FOR SWEDEN

**As the Czech Presidency secures progress on key legislation,
Sweden takes over with multiple pressing issues to resolve**

9 January 2023

EXECUTIVE SUMMARY

Sweden has taken over the six-month Presidency of the Council of the European Union from the Czech Republic and will set the EU's political agenda for the first half of 2023. Despite an overwhelming need to focus on Russia's war against Ukraine and its consequences, the Czech Presidency was also successful on the policy front, advancing or securing various pieces of EU legislation with crucial implications for international businesses across a number of sectors.

Countering the impact of the war will also be the main driver of Stockholm's political agenda at the EU level, with special focus on providing aid to Kyiv, ensuring the energy security of EU member states, tackling the current economic downturn and supporting Ukraine's reconstruction. At the same time, significant EU legislative changes are also expected during Sweden's Presidency, most importantly in areas including sustainability, technology regulation, digitalization, the gig economy and free trade, with potentially far-reaching implications for international investors present in the CEE region.

Below, Aretera provides further insight into the Swedish Presidency of the Council of the EU, the results of the now concluded Czech EU Presidency, as well as into the likely policy directions and legislative priorities of the European bloc during the next six months.

This memo will cover:

-  a brief introduction into EU decision-making,
-  the key takeaways from the Czech Presidency of the Council of the EU,
-  expectations for the Swedish Presidency of the Council,
-  implications of the results delivered under the Czech Presidency,
-  the key pieces of EU legislation to monitor across various industries in 2023,

INTRODUCTION

On 31st December 2022, the Czech Republic concluded its six-month Presidency in the Council of the European Union¹, handing over the EU's rotating Presidency to Sweden, whose government will now set the European bloc's agenda through to 30th June, 2023.

In the EU's institutional structure, the Council of the European Union – also known as the Council of the EU, the Council of Ministers or simply the Council – is one of the two bodies of the legislative branch. While the European Parliament represents EU citizens through directly elected lawmakers, the Council is composed of government ministers from each EU member state, who sit on policy-specific councils of EU legislature.

Holding the Council Presidency, Sweden is tasked to prepare the political and legislative initiatives in the Council, organize and chair the meetings in its various, policy-specific bodies and represent the Council in its relations with other EU institutions, primarily the European Parliament, the European Commission (the EU's top executive body with power to initiate legislation) and the European Council, the body composing the EU heads of state and government who set the overall political direction in the European bloc. Three successive EU Presidencies are known as Presidency Trios, with the current trio consisting of France², the Czech Republic and Sweden.

RUSSIA-UKRAINE WAR TO SET SWEDISH EU AGENDA

Sweden takes on the EU Presidency at a historically challenging time for the European bloc, which is beset with severe political, economic and social challenges. As with the second half of 2022, Russia's war against Ukraine will continue to define the EU agenda, while the energy crisis and the economic downturn unleashed by the war will also be among the main defining factors.

Accordingly, the security of the European bloc in relation to the neighbouring war is the first official priority of [the Swedish EU Presidency program](#), which pledges to continue economic and military support to Ukraine, while Sweden – together with the European Commission – will take the lead in designing prospective EU sanctions against Moscow as the war continues. Stockholm is also widely expected to drive European and international efforts to support Ukraine's reconstruction.

Looking beyond the war in Ukraine, the Swedish Presidency is pledging to prioritize improving the EU's competitiveness (with special regards to economic growth and resilience), the green and energy transition (with an expected focus on tackling high energy prices and fostering the transition of the energy industry), as well as protecting the EU's democratic values and the rule of law. This last pledge will likely have implications for Poland and Hungary, both of which have been locked in long-running disputes with EU institutions over alleged democratic backsliding³.

¹ See [here](#) for Aretera's forecast overview of the Czech Presidency of the Council of the EU and its priorities from July 2022

² See [here](#) for Aretera's forecast overview of the French Presidency of the Council of and its priorities from January 2022

³ See [here](#) for Aretera's overview of the recent EU-Hungary deal on rule-of-law-conditional release of EU recovery and cohesion funds from December 2022

KEY LEGISLATIVE TAKEAWAYS

Selected EU Files/Policy Proposals Under the Czech (2022H2) & Swedish Presidencies (2023H1)		
Policy Component	Description/Relevance	State of Play
Artificial Intelligence Act	first ever EU rules on AI-based technologies	unanimous Council agreement under the Czech Presidency
Cyber Resilience Act	sets rules for marketing of products with digital elements	Sweden aims to advance EU negotiations
eIDAS	EU-wide introduction of an app-based digital wallet	unanimous Council agreement under the Czech Presidency
Data Act	aims to regulate industrial data use and improve data access	Sweden to lead consultations in Council and with Parliament
Platform Workers' Directive	Commission proposal aims to reclassify around five million gig economy workers	Sweden to lead inter-EU-institutional talks, Stockholm prefers national rules
Chips Act	aims to tackle ongoing semiconductor shortage	Sweden to push for talks with EU Parliament
Fit for 55	large-scale policy package to cut GHG emissions by 55% by 2030	all climate-related parts agreed on by end-2022
Carbon Border Adjustment Mechanism (CBAM)	key part of Fit for 55, first "carbon tariff" on environmentally damaging imports	Council agreement reached under the Czech Presidency
"Pillar II" (global corporate minimum tax)	introduces 15% minimum tax for MNCs	EU law expected to be transposed by end-2023
European Media Freedom Act	Commission proposal aims to preserve media pluralism and editorial independence	draft presented in September, negotiations in early stages
EU Health Data Space	allows EU citizens easy access to health data	Commission aims to make EHDS operational by 2025
EU pharmaceutical policy revision	expected revision of EU-wide medicines and pharmaceutical industry rules	Commission proposal in months-long delay, first draft expected in Q1 2023
Critical Raw Materials Act	meant to help the EU secure key green transition supply materials	EU Commission to present proposal in March 2023
Packaging and Packaging Waste Directive	aims to make all packaging reusable or re-cyclable by 2030	revised Commission proposal published in November 2022
EU trade agreements	Swedish and EU push to diversify EU trade in wake of stalled trade deals	Sweden to aim deal with Mercosur countries
Energy market reform (EED, RED, EPBD)	renewable energy, energy efficiency and building performance directives	directives in different stages of talks, with Sweden to continue EU-level negotiations

THE CZECH PRESIDENCY: DELIVERING BEYOND EXPECTATIONS

In wake of the war in Ukraine, pressure was mounting on Prague to focus on the security of the European bloc, ensure energy supply and security, as well as to drive efforts to tackle energy price hikes. Unsurprisingly, expectations were low for not only the Czech Republic but the whole of the EU to deliver on policy issues, which were – at the time – seen as less of an immediate priority, particularly in the case of climate goals as the EU has aimed to shore up energy supplies. At the same time, the Czech Presidency was instrumental in advancing several important EU legislative proposals closer to introduction and/or implementation. Among the most important results is securing an EU-wide deal on multiple strategically important issues during the last Czech-led Council meeting.

On 16th December 2022, EU member states unlocked €5.8 billion in EU recovery funding for Hungary under the bloc's post-pandemic economic recovery program. In turn, Budapest – besides pledging to undertake a series of judicial reforms needed to disburse the funds – dropped its long-standing opposition to joint EU financial aid to Ukraine for 2023 worth €18 billion and approved the OECD-proposed 15% global corporate minimum tax within the EU, that is now on course to become EU law.

Digitalization was also among the areas where the Czech Presidency's performance holds significant implications for international companies. Brokered by the Czech government, these include unanimous Council agreements on the Artificial Intelligence Act – the first ever EU-wide attempt to impose rules on the use of AI-based technologies – and the bloc's so-called eIDAS regulation, which will introduce an app-based digital wallet, allowing digital self-identification for EU citizens when communications with companies or authorities across the bloc.

BUILDING ON THE CZECH RESULTS

While Russia's war against Ukraine and its consequences will overshadow Sweden's tenure, Stockholm is pledging to make progress on a number of pieces of EU legislation, as well as to bring new initiatives to the European table across various industries.

Following the success of the Czech Presidency in securing Council approval on the Artificial Intelligence Act (following the Digital Services Act and the Digital Markets Act – two crucial pieces of EU regulation secured under the French Presidency), Sweden will also likely prioritize the area of digitalization, most likely through three EU files. These include negotiations on the EU's proposed Cyber Resilience Act, the Data Act and the Interoperable Europe Act, all three of which Stockholm aims to conclude or at least advance during its Presidency.

The implementation of the EU's Fit for 55 package – a landmark set of policy proposals aiming to cut Europe's greenhouse gas emissions by 55% by 2030 – is also expected to be at the top of the Swedish EU agenda. While the Czech EU Presidency was successful in securing a Council agreement on all climate-related parts of the package in 2022, the Swedish Presidency will drive EU talks on the revision of two key regulatory elements: the Renewable Energy Directive (RED) and the Energy Efficiency Directive (EED).

On the environment, Stockholm also pledged to prioritize the expected revision of EU directives on industrial emissions, air quality and industrial packaging, as well as the revision of the separate Energy Performance of Buildings Directive (EPBD).

One of the key regulatory questions of the next six months will be whether the Swedish Presidency will be able to make progress on the EU's Platform Workers Directive, an EU Commission proposal that aims to reclassify the more than five million workers of the EU's gig economy. First proposed by the Commission in December 2021, the Directive aims to introduce a legal presumption of employment for "self-employed" platform workers that the Commission believes is misclassified, while it also seeks to regulate algorithmic workplace management. With the latter, the regulation – similar to the Artificial Intelligence Act – would again be the first of its kind for the European bloc.

Last December, the Council failed to reach an EU-wide agreement, leaving Sweden to lead talks on a key regulation that could impact more than five million European workers (and one where Stockholm would prefer keeping rules at the national level).

LOOKING AHEAD

Going into 2023, consensus remains that Russia's war against Ukraine has no clear end in sight, putting joint European response to the war and its consequences to the forefront when it comes to EU decision-making. Accordingly, providing various forms of aid to Kyiv and supporting Ukraine's recovery and reconstruction will take the highest priority for Stockholm, along with mitigating the economic and energy sector impact as most of Europe is bracing for an economic downturn.

While Sweden has put forward an ambitious agenda to shape the future of the European bloc along key issues such as EU competitiveness, sustainability and digitalization, its approach on key policy issues is expected to be pragmatic, due to strong differences among member states. At the same time, the coming months could see significant legislative changes at the EU level, with the potential to impact international investors in a range of sectors, including digitalization, energy, the gig economy, infrastructure and sustainability.

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