

CONFRONTATIONS



EUROPE

**EUROPEAN LONG-TERM
INVESTMENT CONFERENCE**

***Investment:
Taking it up
to the next level***

Brussels

June 15, 2016

Investment is a priority for the OECD and the G20. Over the past twenty years, Europe's potential for productivity has declined. The European Union has remained a low-growth entity since the financial crisis - the timid upturn should not mask the threat of "secular stagnation". Investment has slowed, public and private indebtedness continues unabated and demand remains inadequate in structural terms. Yet needs have never been as great. Major changes are underway, requiring massive long-term investment in human and production resources. These changes include the fight against climate change, energy transition, transport infrastructures, trans-European networks, industrial innovation, the effects of the digital age, R&D and human resources.

In Europe, the need for public policies to stimulate investment has been noted – the Juncker Plan initiated a movement in favour of an investment policy on a European scale. By the end of March, it had achieved one-quarter of the objective for 2018, with commitments amounting to €77 billion. Given its evaluation, how can things be taken up to the next level and how can the scale be increased? What action can be taken to prepare for the next stage and how can it be adjusted to achieve greater synergy between public and private stakeholders?

The European Central Bank has decreased its interest rate to below zero and flattened out the curve so that long-term rates are at their lowest in history. All this secures cash requirements, encouraging economic players to borrow and banks to lend, but what is the real situation? The limits of the current monetary policy increase the need for a truly coordinated budgetary policy reflecting solidarity across the whole of Europe. What reforms of budgetary regulations (notably taking account of investments within the semester) and accounting rules should be promoted?

Initial analysis highlights a lack of projects responding to the needs of new generations, and to the challenges of climate change as well as industrial and digital innovation, especially in terms of human resources. What links are there between the choices of project and the strategic priorities for the European Union, particularly those put forward by the Commission's Directorates General? What methods are applied to verify the eligibility of projects and what is the Plan's effective additionality? The lack of signals (clear pricing and the difficulty of establishing actualisation rate in a world of negative rates) makes it impossible to show the true worth of such investment projects. Moreover, the principle is demand-driven and the eligibility procedure is an integral part of the EIB's portfolio, leaving public authorities behind.

As a result of the 2008 financial crisis, there has been a new distribution of roles in the financial system between banks whose ability to grant long-term loans has been eroded and asset managers and institutional investors that hold the mass of long-term savings from the general public and are able to initiate direct funding for investment projects. The role of the various stakeholders requires clarification. Do the financial conditions on offer today meet the needs? Are the tools, funds and trust-based partnerships required at various stages in the innovation process adequate? There are a number of pressing questions regarding the creation of new asset classes on European markets, the balance between funding and equity, the matching of assets and liabilities, the risks of volatility, the quality of the prudential and accounting framework and incentives, the implementation of the bail-in system, and the convergence of national instruments. It is reasonable to wonder whether a common vision on savings and transformation policies is not needed.

Faced with such complex issues, the institutional structure comes into question. The EIB plays – and will play - a pivotal role. A number of essential questions are regularly asked following on from the first results: the mechanisms used for the economic and social valuation of projects in which the private sector should be involved; the cooperation between the EIB and national development banks, the granting of guarantees within the EIB when they could be sought outside the EIB under the control of the European Commission and Parliament as the guardians of the EU budget, the geographical concentration of beneficiary countries to the detriment of outermost regions, the low level of cross-border investments and the use of investment platforms that combine and coordinate "small" projects implemented in territories by SMEs. Investment is a major political issue for the EU at the present time and this would seem to favour political involvement on the part of the Commission and the European Parliament in the governance of what would be a true investment Eurosystem. How could this be achieved?

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Investment: Taking it up to the next level

15 June 2016 – Brussels (location to be confirmed)

9.30 a.m.: Registration of participants

10.00 a.m.: **Introduction**

10.30 a.m. – 12.00 p.m.: First round table

European and global instability: What macroeconomic policy does Europe need?

Analysis of the macroeconomic and financial situation. Low interest rates and monetary policy: limits and consequences. Risk aversion and the secular stagnation hypothesis. Conditions for long-term investment: what macroeconomic policy for the Eurozone?

Panellists:

Chair: **Philippe Maystadt**, President of the Academy for Research and Higher Education

With: **Michel Aglietta**, Advisor, CEPII
Eric Chaney, Chief economist, Axa
Raffaele Della Croce, Lead Manager, long-term investment project, OECD
Maria Demertzis, Senior research economist, Bruegel
Olivier Guersent, Director General, DG FISMA, European Commission

12.00 a.m.: **Keynote speech**

Sandro Gozi, Secretary of State of Italy

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Lunch break (12.15 – 1.15 p.m.)

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1.15-3.15 p.m.: **Second round table**

Over to the financial and industrial actors: investment valuation and risk reduction

Why is it so difficult to promote projects? Infrastructure, SMEs, industrial innovation. How should general interest projects be valued, particularly in the frame of the European investment plan? Actualisation rate and price signals for the long term.

How can financing options be brought into line with expected return? Under what conditions can the financial industry share and mitigate risks?

Two waves of intervention

Session 1: A first wave dedicated to industrial investments, with the examples of the space sector, energy and KETs. It requires long term investments (despite a reduction of innovation cycles). Which strategy of sectorial prioritisation in the European industrial strategy

President **Ambroise Fayolle**, Vice-President responsible for innovation, European Investment Bank (EIB)

With the participation of:

James Hinds, Vice President, Head of Space Strategy, Airbus Defense and Space

Eulalia Rubio, Notre Europe, Institut Jacques Delors

Magnus Ryde, President, Sol Voltaics (Sweden) and Kaiam Corp (USA)

A representative of **Engie***

Session 2: A second wave dedicated to public and private financial players: synergies and complementarities

President **Jean-Paul Gauzès**, President of EFRAG, Former MEP

With the participation of:

Thierry Déau, CEO, Meridiam

Dominique Graber, Director of public affairs, BNP Paribas

Edouard Jozan, Director of investment strategy, Allianz France

Edoardo Reviglio, Chief Economist, Cassa depositi e prestiti

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Break (3:15 – 3:30 p.m)

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3.30-4.45 p.m.: **Third round table**

Lessons learned from the Juncker Plan and the prospects for its development

This round table will review the lessons learned from the European Commission's Investment Plan (choice of projects, governance, role of public- and private-sector actors, etc.).

It will also focus on the principal measures needed to consolidate the mechanism, clarifying political responsibilities and the role of the EIB as a pivot in a dynamic investment system.

Panellists

President **Dominique Riquet**, President of the European Parliament Intergroup on long-term investment and reindustrialisation

With: **Benjamin Angel**, Director DG ECFIN, European Commission and Member of the Steering Board of the European Fund for Strategic Investments (EFSI)

Jean-Michel Six, Chief economist, Standard and Poor's

Natacha Valla, Deputy Director, CEPII

Laurent Zylberberg, Directeur des relations institutionnelles et internationales, Groupe Caisse des Dépôts

4.45 p.m. **Preliminary conclusions**

Philippe Herzog, Founding president, Confrontations Europe

Marcel Grignard, President, Confrontations Europe

5:00 p.m. Keynote Speech - Conclusions

Jyrki Katainen, Vice President, Jobs, Growth, Investment and Competitiveness, European Commission

* *participation to be confirmed*

PARTNERS

