

TECH FIT 4 EUROPE PODCAST – EPISODE 1 – GREENING EUROPE'S RECOVERY

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CASPER KLYNGE: Hello, and welcome to Tech Fit 4 Europe, a new podcast series looking at the big policy questions behind today's technologies and the people who shape them. My name is Casper Klynge, and I'm the Vice President for European Government Affairs at Microsoft. And together with my team, I'll be bringing you some of the most influential voices on pressing digital policy issues. Thanks for joining and enjoy the episode.

First of all, Pascal, thanks very much for joining us on this pod today.

PASCAL CANFIN: Thank you for your invitation.

CASPER KLYNGE: This is an audio recording, so people cannot see the room, but I just want to say the room is green and I think the color on the walls is very appropriate for the conversation we're going to have, because you have been one of the leaders in Europe, at least in the European Parliament, focusing on sustainability, focusing on climate change. And more recently you launched a focus on doing the recovery plans after COVID-19 in a green way.

So, why don't we kick off this conversation with you explaining a little bit why you did that and what the idea behind this initiative was.

PASCAL CANFIN: Yeah. I strongly believe that we cannot find the solutions to this huge challenge which is climate change if we do not work together, politicians on one side and businesses on another. I mean, otherwise, either as a politician, I set rules, but that you cannot apply them because you don't have the technology, for instance. And on the other side, as a company, you would like to do good. And even if you do good, if the whole bulk of your competitors do not, then it's just a drop in the ocean.

So, we need to work together to be at scale, but also to set rules that can work. That's exactly the spirit I'm in and that's exactly the reason why I launched an initiative that Microsoft is part of, which is the Green Recovery Alliance, precisely to work together – businesses, politicians, think tanks, unions, NGOs – to foster and to speed up the transition in the context of the crisis we are in.

But I take the mantra, I would say, from the commission, European Commission President Ursula von der Leyen. She said, one day we will find a vaccine against COVID-19. We will never find a vaccine against climate change. I think it's something we need all to have in mind.

CASPER KLYNGE: Yeah, and I think by taking this initiative, of course, you've also had an impact on how the green recovery discussion has been taken forward in Europe. I know in July, you had a number of workshops sort of focusing a bit more on how do you do that in practice. Could you say a couple of words on what will be the next phase in the Green Recovery Alliance and how you see that influencing also decisions taken by the European Council or the commission?

PASCAL CANFIN: So, the Green Recovery Alliance had a first goal. The first goal was, I would say three months ago, to make sure that the COVID crisis will not sideline the Green Deal, and that an emergency will not replace another emergency. And, actually, I think we managed to get it right. I mean, in Europe at least, the climate issues and the climate priorities are not sidelined or delayed or deprioritized because of the economic crisis.

On the contrary, contrary to what's happened 10 years ago, when we faced the financial crisis and we had to set up recovery packages at that time, and at that time, we actually reboot the old economy. Today, the fact that the plan we have on the table at the European level, the recovery packages, make or put the Green Deal at the heart of the (angina?), I would say, is now very broadly supported from country perspective, but also from a political party's perspective. So, there is a broad support to get there and to make sure that we try to have both macroeconomic, short-term impact regarding jobs creation, for instance, but also a climate-positive impact.

CASPER KLYNGE: And I guess that was not a given, Pascal. I mean, if we were sitting here together in Brussels three, four, five months ago and at the beginning of the global pandemic, I think a lot of people would say, well, sustainability or climate change will probably receive a blow because we cannot afford anymore to focus on climate change. We have to focus on the immediate economic crisis and the immediate job creation. But that's not where we are. I mean, do you actually think, by some sort of paradox, that the support for green recovery plan for sustainability is bigger today than it was prior to COVID-19?

PASCAL CANFIN: Well, I make the same analysis that you are doing, meaning that the risk was there, clearly, three, four months ago. And we managed to overcome it. And we managed to have, now, a clear pathway which tries to solve the two issues we have to solve. And I think we all consider in the parliament that it's not trying to resolve the short-term economic downturn we are in, and deepening the climate crisis, we'll not solve the problem. And the fact that, at the EU level, we are going to have, for the first time, an EU debt instrument means that we are going to have another burden of debt for the next generation that will have to pay back this debt.

I have kids, as well, and I can't see how I could decide today to have additional debt for them to pay back, and at the same time, increasing their climate debt. They are going to pay as well

because of the way we consume, the way we move, the way we invest and so on, which is still not climate friendly enough.

So, that will be completely counterproductive to deeper the climate crisis in order to create jobs short term. And what we have now, and thanks to also companies like yours, we have, now, the solutions. We have, now, the technologies to provide both the climate-friendly solutions and jobs creation, short-term.

I mean, I work with the EY, for instance, and European Climate Foundation, in order to identify projects that are ready to be invested and climate friendly. So, job creation, short-term job creation, all over Europe, not only in rich urban areas, but all over Europe and climate friendly.

And we manage to identify in a couple of weeks more than 1,000 projects worth €200 billion investment that could be invested in the next, let's say, six months – housing refurbishing, clean transportation, e-batteries, and so on and so on. So, a lot of things. And we have the technologies, so that's the very good news compared to 10 years ago when we had another discussion about the recovery package after the crisis.

At that time, we didn't have the solutions ready or scalable. Now, we have them. That's a big difference, but our responsibility as politicians is precisely to scale them up on time to face the challenges we are in.

CASPER KLYNGE: And I think that's really a good point, that we have access to 21st century technologies today that really is the game-changer in achieving both economic recovery, but in fact also doing that in a green way.

But just to be the devil's advocate, you are a French politician. We're potentially looking at upwards to what's sort of 60 million people losing their jobs because of COVID-19 in Europe. And to those people that have lost their jobs and are standing there looking at recovery plans and saying, can we really afford focusing on sustainability? That won't have my job, my manual labor job come back. I mean, what's sort of the European political response to –

PASCAL CANFIN: Well, my response, I mean, it's not a theoretical response. I have this dialogue, of course, with real citizens. And my response is that, okay, if we invest one billion in the construction sector, if we invest this billion to extend an airport, it will create jobs. But if we invest this very same billion in building energy-efficient buildings or to adapt an infrastructure to climate change impact, or whatever, or to build a ride-way or whatever, the very same billion will be allocated, more or less, to the same companies in the construction sector and will have the very same impact in terms of job creation. But instead of building a motorway or an airport, you will build a green power plant or green infrastructure.

At the end of the day, it's the same jobs for, more or less, the same people, the same sector, and, more or less, the same company. So, more or less, again, they're marginal details, but, more or less, the same macroeconomic and social impact, but a very different climate impact.

So, that's why I do not oppose economic short-term recovery job creation, which is deeply, deeply needed, and investment impacting climate positively, because I think we can do both at the same time.

And on the contrary, when you say yet we can't afford, I mean, what we cannot afford is not to invest in the solutions for climate change mitigation, because otherwise, we will have two, three, four degrees world of global warming. And that's what we can't afford because that will be probably a (chaos?) in some regions that will have impacts all over the world. And that, we can deeply, definitely can't afford. So, that's why we need to succeed in having this green recovery, right? And that's now my top priority.

CASPER KLYNGE: And I think, both speaking as a European, but also speaking as somebody deeply occupied with climate change, I think that's exactly the right way of looking at it. Mitigating the current crisis should not be an excuse for not dealing with the coming crisis or the crisis that will be long-term climate change as well.

It's impossible to say anything good about COVID-19, of course, horrible impact for so many people around the world, but has it actually been a little bit of a blessing in disguise in giving us the opportunity to making the economies much greener now, at least in Europe?

PASCAL CANFIN: I don't know because you have countries where the rationale supporting that climate action is still a top priority and can serve the short-term macroeconomic recovery, this thinking is not shared. I mean, at the end of the day, I don't know and it's too early to say if the COVID-19 crisis will be, at the end of the day from a climate perspective, an opportunity, or if on the contrary, that would be another obstacle that would delay climate action.

And it depends on the decisions we are taking, and our colleagues in the U.S., in China, in India and Brazil, and so on are taking. And, of course, I'm fully aware that not all the continents are following the Green Deal as we are in Europe.

CASPER KLYNGE: Yeah. Before we turned on the microphone, we were sort of discussing a little bit whether we should come clean on when we're recording this, but I think perhaps it's better to say we're recording this on the 16th of July. We have a couple of important meetings over the next couple days. Of course, we can't predict what will happen, but one of the things being discussed is, of course, the next generation EU, €750-billion package, recovery package that has a very clear focus on sustainability as well.

And let's stay away from predicting what will happen, but perhaps you can say a few words on how significant you see this proposal from the European Commission, and not least, how important it is that the green aspects are included in that package. And if you can predict what happens, of course – (Laughter.)

PASCAL CANFIN: No, I can't. Of course, I can't. And when the podcast will be broadcasted, we will know.

CASPER KLYNGE: Yeah. (Laughter.)

PASCAL CANFIN: But at that stage, we don't know yet. (Laughter.) But what we know is that there will be, and we don't know exactly the details of it, but there will be a recovery package for the first time at the EU level in plying an instrument to invest together.

So, it's today as we speak, €750 billion put together by member states, in terms of new issuance of debt by the commission. And that's the first time we, as member states, we will give the EU, as such, represented by the Commission, the right and the capacity to go to the market, to the financial market, to issue bonds and to invest all over the EU.

So, that's a huge paradigm change, I would say, paradigm shift, because that's exactly what we missed 10 years ago after the financial crisis and the Euro Zone crisis. We didn't find the agreement, the political agreement, to get there. And this time, we are, as we speak, very close to, and I guess that in August, when we would be on air, we will be after the decision and we will be in the time of starting delivering.

CASPER KLYNGE: Yeah, and I think just to put things in context here, €750 billion, that's a lot of money. Very difficult to put in context, but that's roughly 14 times what the European Union is spending on agricultural policies each year, so it's a very, very significant amount that will be made available for – potentially be made available for recovery.

If we zoom out a little bit, Pascal, we've been talking about Europe, and I think it's evident that Europe plays a global leadership role when it comes to sustainability and the fight against climate change. When you look from your office in the European Parliament not too far away from where we're sitting right now, out and about, out in the world, do you see other continents or other countries coming together, following the example by Europe in the current crisis?

PASCAL CANFIN: I don't know if I can jump into U.S. politics, but if you allow me to do so –

CASPER KLYNGE: Absolutely. (Laughter.)

PASCAL CANFIN: (Laughter.) It's obvious that one of the most important day of the year we are in will be the day of the U.S. election, because it was the multilateralism system, whether we talk about climate change or other issues, managed to survive without the U.S. for four years, or even sometimes against the U.S., but we really need to make that change, because four more years would mean, for climate action even more, let's say, threat for our capacity to act together, because, of course, for companies, if you start acting, and then your competitors from China, U.S., Brazil do not, then you can have extra cost that would put you out of the market. So, that's exactly what we want to prevent.

And for some sectors, like steel or cement or glass or so, heavy industries, we are fully aware that if we ask them to have higher carbon price, for instance, they need to get protected from competitors that wouldn't support that kind of carbon price, because otherwise, they would be put out of the market, which is, of course, what we don't want.

So, that's why we are discussing in the EU, a mechanism that is a carbon border adjustment mechanism, which means that, if I take the example of steel, if a ton of steel would come from China without paying any carbon price, competing with a ton of steel produced in the EU with €40 carbon price to be paid, then we have to make a balance, and making sure that an equivalent of €50, in my example, per ton of steel, is paid as well by the Chinese, so is sort of tariff mechanism when you enter the single market.

It's not protectionism, because it's not discriminatory. I mean, if the price is 20 in the EU, that will be 20 at the border. If it's 15 in the UETS market, it will be 50. So, exactly the same for the same kind of project, the same kind of commodities, the same volume. So, non-discriminatory, but just fair.

So, that's the kind of thing, then, when we look at the fact that, in Europe, we move forward, but we cannot compete on that ground, and we do not want to put at risk our industry, that's a tool we are working on, and the decision will be the proposal. The legislative proposal will be put on the table June 21, so quite soon now.

CASPER KLYNGE: In my former life, I was a Danish diplomat, and I still remember the traumatic experiences of COP 15 back in the day in a cold and snowy Copenhagen in December. When you sort of look at what went wrong, one of the interpretations is that there was a gap between sort of "western countries," and then developing economies, G77-plus countries. You're a former French minister for development corporation, so of course, this is not far from your own thinking, Pascal, but could you say a little bit, how do we make sure we also have focus not only on Europe, the U.S., Asia, but we also focus on Africa, southeast Asia, Latin America, etcetera?

PASCAL CANFIN: I think the role of Europe in that context is twofold. The first is to demonstrate that we can manage to have an in-hand economic prosperity and climate neutrality.

We will probably, if we manage to have it right, we will probably be the first continent being climate neutral in 2050.

The best example we can provide, the best-case scenario for Africa, South Asia is, okay, well, one of the richest part of the world is able to do so, why not us? So, if we manage to go in-hand with prosperity and climate action, then that will be a huge example for the others to follow. So, that's the first thing.

And on the contrary, if we do not manage, how come if you are in Senegal or in Indonesia, I would say, okay, even if the EU technologies, the financial capacity, they can't manage to do it, how come I would? So, that's one of the key issue for us, that even our domestic success would have a positive or negative global impact.

And the second thing is the capacity to transfer money in order to help. So that's why the EU is the first global donor. Half of the global aid comes from the EU and member states. So then, as well, we are a real superpower in terms of ODE, and we need to make sure that we help countries to invent their way to climate neutrality. Regarding the access to technologies, there may be something that could come from bottom-up. Okay, it's not only a top-down imposed by the EU. It's not the point, but we help them to find their own way to climate neutrality.

CASPER KLYNGE: So, we also have to make sure that ODE will become green.

PASCAL CANFIN: That's what we do, and that's what I did when I was minister for development. For instance, AFD, so the Agence Francais Development now has clearly a mission to be 100 percent Paris Agreement aligned. So, they do not finance anything that will be detrimental to climate change, and they only finance things in energy, construction, transport, and so on, that are Paris aligned.

CASPER KLYNGE: Yeah. You mentioned before the Europe has the ambition of becoming the first continent that are carbon neutral by 2050. In Microsoft, we, a few months ago, made our own contribution where we want to become carbon neutral in 2030 and actually remove all historic emissions going back to 1975 by 2050. I think we were also quite honest in saying we don't know exactly how to do that yet. Some of the technology is available, but making it all the way will require new inventions, new research and development, etcetera.

I'm saying this because I actually wanted to ask you about how you see the collaboration between your governments or international institutions, and then the private sector. And I guess the sort of slightly provocative question is, is there a solution to climate change sustainability without having a multi-stakeholder partnership?

PASCAL CANFIN: No, there is not. That's what I said at the beginning. We need to join our efforts. I mean, businesses alone will not make it, because even if you succeed in getting your

objective right, and congratulations for having set this vision and these objectives, then if you are the only one in your sector, that will be a drop.

So, even if you start, but if you manage to get it right, and then you can create a sort of standard. And then, as politicians, we can say, look, what you are doing is a success, then we can change the rule to make it not the exception, but the rule. Then, the others will have to follow. And then, we would be realistic because it would be based on a real case scenario than in my example used, and then it will be extended to the whole sector, for instance.

So, that's the kind of dynamic that, at least to my view, is the right one, because it's pragmatic enough, but it's at scale, as well. And then, that's why, as well, in the European Union, we are negotiating the first ever climate (low?) that will set the objectives from now on up to 2050 for the next three decades.

One thing I'm pushing for is to have what I call sectorial roadmaps, meaning that all together – so commission, the large players of the sector, unions, the European investment banks, the key players that can make the change – agree on one vision for the evolution of a sector to (carbon?) neutrality. So, it doesn't mean that everybody agrees on everything. It means that we have a clear pathway, and then we contribute – so EIB provide financing, the company A provide technologies, and so on – to have a joint mission. And then, everybody knows what he has to bring for the others.

And then, we create a collaborative pathway where, within this pathway, there is a fair competition. I don't know if it will be electric cars at the end, or hybrid, or hydrogen. I don't know, as a politician, but what I know is that the three technologies are compatible with Paris Agreement, so that's why I want to push for these three. And then, the winner will – I mean, the companies that is the best one or the most advanced one will win. And that will be market driven as well, but it will be oriented by a common goal. And I think that's the right balance between what the public authorities and the politicians can do on one side, and what the business can bring on another.

CASPER KLYNGE: Yeah, and I think, actually, one good example is the debate about datacenters and cloud computing. And I know that, of course, quite well that there is a focus on the energy consumption coming out of datacenters, which is a real issue and which is a necessity for us to make that green.

At the same time, I think people quite often lose sight of the fact that, actually, going to the cloud is enormously energy efficient compared to having servers inside a company or inside a government, potentially between 70 and 90 percent more efficient. So, technology can also help make us achieve some of the sustainability goals as well.

PASCAL CANFIN: Well, it's clear, when it comes to digital, there are two issues. The first one is "greening" the IT and the digital sector, so that's what you said about making sure that datacenters are really cooled using as low level of energy as possible, so just cooling what is needed to be cooled and not the whole thing, and that's a technologies you are working on. So, that's greening the IT side.

But then you have the other side, which is probably the most important one, which is how the IT and the digital can help the green transformation. And when it comes to energy managing from houses to e-cars, and so on, and then a smart public transportation system that can adjust the supply and demand very short term along many, many examples, then we cannot do it without the proper digital services.

So, I think at the end, when you balance the two, the positive impact might be way more important than the negative one. But of course, you are still to mitigate the negative one. And the beauty of it, I would say, is that the main part of the carbon footprint is power consumption. And then power can be green. So, if you move to 100 percent green energies when it comes to production, transportation, and so on, for you, for your company, then you can really mitigate a lot of aspects, including datacenters for your carbon footprint.

Then, you have the capacity to recycle and to create a circular economy around the material, and the design, and the equipment, and then, so you can really reduce significantly. I mean, we can really quite easily see the pathway together.

And once you have done that, then the other side, which is the positive impact to the green transition, it's tremendous, potentially tremendous in any sector. So, that's why it's very important, as well, for politicians like myself to discuss with you, to dialogue with you, in order to identify all the opportunities new technologies can bring for the fight against climate change.

CASPER KLYNGE: And I think that's exactly spot on. And I would just throw into the equation also the potential of artificial intelligence and machine learning in looking at efficiency gains, but potentially also finding new ways of transmitting energy or developing new ways of actually removing carbon from the atmosphere, so a lot of potential there.

There's one thing I wanted to ask you, also being a French politician and a European politician, is I think a misconception if you look at, for example, the Nordic countries and the green economies, that this was done for, let's say, altruistic reasons. They all of a sudden said, we need to do things because we want to be green, when in fact it was very much driven by regulation. And if you go back in the day, it was driven by the oil crisis in the '70s. We simply could not afford to have a fossil fuel economy in the Nordic countries. So, my question is how important will the regulatory framework be in driving our economy in a more sustainable direction?

PASCAL CANFIN: We cannot do it at scale without regulation. I don't believe on a full, market-driven scenario where you just leave companies acting as they want, and the winner will be the greenest one. I don't believe that. It might happen in some specific cases, but not at scale. So, that's why we need regulation.

But on the contrary, I do not believe in regulation that would come from nowhere. There is no point in having a paper regulation if you don't have the technologies to provide the solutions related to the regulation. So, that's why my very basic DNA, I would say, as a politician, is to work together. Sometimes, you will provide us the right solutions and you say, okay, you adjust the rules, and then I can deliver. Brilliant. And sometimes we will disagree. And I'm going to say to some companies, at least a new competitor is able to do this level of efficiency, how come you couldn't? So, I'm sorry, I don't buy your arguments. You have to move. And at the end of the day, if this company does not move at all, then it will be the loser.

But that's part of the game. I mean, I'm quite a (inaudible) on that front, meaning that there is always new wave of innovation. And now, it's obvious that the two key waves of innovation we are in is the digital one on the first side, and the second is on the green one. And if Microsoft, if that's the middle of the two, then I'm sure that you might be one of the winner of the revolutions we are in.

CASPER KLYNGE: And certainly, I think there is no solution to any of the two issues without having the other one involved, as well. And that's something we subscribe to and where we want to show leadership also as part of the industry. So, I think we agree on that one.

Pascal, zooming a little bit out, we've been focusing on sustainability, climate change, but perhaps using a few minutes to talk about the European political agenda, as well, where that is heading. And if we begin by focusing on sustainability and digitalization, one of the big discussions in Europe right now is, of course, strategic autonomy or digital sovereignty. And although I think there are many different interpretations of what that means in practice, it's certainly a direction that Europe is heading in.

Do we need to be afraid that this will mean protectionism that will be more difficult for companies like Microsoft to be a partner to Europe, or is this discussion about something else?

PASCAL CANFIN: Well, I'm going to start by saying something that you might not like. That you don't –

CASPER KLYNGE: We're listening carefully now. (Laughter.)

PASCAL CANFIN: (Laughter.) We cannot have sovereignty if we have too much tax evasion or tax optimization, call it as you like. But we cannot operate in a context where the resources,

the public resources, are just moving out of the public pockets for bad reasons, meaning aggressive tax optimization.

And I wanted to say that in that context of this podcast, because the digital sector is one of the most, I would say, affected by this disease that you want to pay as low as possible as taxes. And at the end of the day, it's detrimental for public good. So, that's part of the sovereignty, okay?

CASPER KLYNGE: And we heard that loud and clear. (Laughter.)

PASCAL CANFIN: (Laughter.) And another aspect of sovereignty is industrial sovereignty. And one thing that came out of the COVID crisis that's on medicines, for instance, on vaccines and things like that, we might be too dependent on others, and we want to regain some part of the sovereignty. It doesn't mean that it's manufacturing everything we are going to consume. We are not in the process of protectionism or deglobalizing our economy, but making sure that, for some key technologies, like batteries, for instance, if I take clean mobility, or hydrogen, we have European champions able to compete on the global scene with others.

It doesn't mean that these global, these European champions will be the only ones. There will be U.S. champions, there will be Chinese champions, from Japan, some, but at least we make sure that there is one or two European players, because in the digital sector, it's a battle the EU has almost lost. When you look at the champions, very few of them are headquartered in the EU.

That's why we do not want to do it again for other key challenges, such as the green one, and making sure that, at least on green technologies, we are able to have the champions, able to compete on the global scene. And that's exactly where we are now, because when you look at the patterns, the green patterns, you have the last ranking, we were still number one. I expect that for the next one, China will be number one and we will be number two. But okay, being either number one or number two is fine. When you look at digital, we are very, very far behind the U.S., behind China, behind Korea, behind Japan.

CASPER KLYNGE: And I think that's also an important point, and it's a catch-up game, to some extent, for Europe, and we want to make sure that we have a vibrant, entrepreneurial setup where we also develop companies that are competitive at the global stage, as well.

But, of course, there are different interpretations of the digital sovereignty. If you listen to Commissioner Vestager (ph), she said it's fundamentally about regulatory sovereignty and making sure that external actors, companies, including companies like Microsoft, will adhere to the rules that Europe are setting.

But, of course, there are other voices that are saying, well, we need to pick our own winners. We need to develop competitors to the Googles, or the Facebooks, or the Alibabas of this

world. The last version of it, Pascal, I mean, how is that possible? I mean, how do you pick the winners? Is that sort of the Airbus model or how do you do that in Europe?

PASCAL CANFIN: Yeah, very important questions, of course. I think the number one approach is what you said about Vestager's approach, meaning that using the power of a single market. Too few people know that the EU market is still the number one market in terms of value, number one before China, before the U.S., not in terms of people, but in terms of economic value. So, having this single market advantage is huge and we should use it, as the U.S., do to have a capacity to influence the global scene, because no company can afford not to have access to the EU market.

So, if we say that to access the EU market, whether you are Europeans or not, you have to follow this and this rules, for instance, on data protection, then, as a company, you have to adjust. And as the EU, once you have, as a company, you have adjust your plan or your operations, then you might say, well, I'm doing it for the EU market. Actually, I invested it. Now, I'm doing it globally. And then, setting standards at the EU level would have a global impact.

So, that's the strategy number one. And I wouldn't oppose this strategy number one, which is market driven and regulation driven, using the power of the single market to strategy number two, which is on the global scene, when it comes to the supply, not only on the demand side, but on the supply side, we need to have some European champions.

So, one example is Airbus, but you know, Airbus, it's an example that cannot be easily duplicated because there are only two, three, four aircraft makers globally, and mainly two. So, it's very oligopolistic. When you look at the digital markets, whatever you put yourself on the value chain, you do not have that kind of things, or if it exists and you are not in, it's too late. It's too late.

So, that's why we need to identify, from a strategic perspective, which part of the value chain we want to invest in – for instance, batteries for car makers – in order to say, okay, if we go to 100 percent clean transportation, we make sure that we have, whether it's for France, for Germany, from Spain or an alliance between one French, German, and Dutch company, whatever, that depends on the model, we have European champions able to compete and to deliver.

CASPER KLYNGE: But it's not a departure from the basic foundation that competition on a level playing field is the foundation that the European economy is built upon.

PASCAL CANFIN: No, on the contrary. It's precisely to ensure a level playing field. What I said about the carbon price, for instance, I mean, today, it's not protectionism, it's the opposite. I mean, we expose our industry to an unfair competition.

Same for farmers, we expose our farmers to unfair competition because we say to them, okay, you're not going to use this pesticide, but we allow the very same product harvested with the pesticide forbidden in the EU, we allow it to be imported within the EU market. So, for a farmer, how come I can't explain that? It's very bad, yet you do it, but no problem if it's an import from Brazil or Argentina. It's not – politically, I can't sell it. I can't sell it, so that's why I want to change the rule – (laughter) – meaning that fair competition, same rule. Either we allow it for both, or we forbid it for both.

CASPER KLYNGE: Listen, we're coming towards the end of the pod, but sitting together with a prominent European politician, I have to ask this question. When you look at Europe, we have Brexit, so an important event, of course, that has a huge impact on Europe. And we also have COVID-19, where at least initially, there was a lot of question around lack of solidarity. What's your vision for Europe? Is Europe in trouble or are you optimistic in Europe retaining both solidarity integration, but also its role internationally?

PASCAL CANFIN: Well, Europe has always been in trouble – (laughter) – because it's nature, as a political project, to overcome what the others haven't managed to overcome. So, nationalism, for instance, borders, and we try to create something new. So, it's not easy, but it's tremendously exciting.

And when one country leaves the EU, like Brexit, at the end of the day, for the time being, I think the analysis is that they will not be better off. And the negotiations we are in with the UK might end up in a situation where we do not have a deal in December this year. And everybody agrees, including from the UK side, that if there is no deal, the economic impact will be much detrimental to the UK than to the EU, because the relative share of exports, to take only one example, from the UK to the EU is much higher than from the EU to the UK.

So, if ever there is a negative economic impact because we do not have an agreement, so we have a lot of tariffs of barriers, and so on, for goods and services, that will not be good. It's not what we want, but then the relative negative impact will be much higher in the UK. That's exactly why we built Europe, precisely to have smoother, easier exchanges of goods, of people, of services, because that's the world we want to work in.

It's not easy, but I can tell you it's exciting, and it's much more useful, I think, and makes more – brings more dream. I would say that's the opposite world, where you have borders everywhere and you have tensions everywhere. And I hope that the EU project and the spirit behind the EU project will be able to spread all over the continent.

CASPER KLYNGE: I guess that sort of points out that it might be difficult and challenging, but it's more necessary than ever to have the solidarity in Europe, as well.

We had the professor Anu Bradford on the pod, professor from Columbia University, and we allowed her to ask you the last question, Pascal, all the way from New York. She was the author behind *The Brussels Effect*, which is basically what you just mentioned, the market power of the European Union, but also the regulatory power across the world.

And the question she wanted me to ask you was, and you indirectly also covered this already on the sort of controversial proposal about carbon tariffs, is that a road that Europe will venture down? And do you think we will see the soon-to-be carbon tariffs being introduced?

PASCAL CANFIN: I really think it will be introduced, and I am pushing for it to be introduced. I don't know if I please you, saying so. (Laughter.) But it is, again, the political condition for it to be supported and accepted is to be WTO compatible. So, if it is WTO compatible, it means that it follows the rules we have all accepted, the EU, the U.S., Brazil, China, and others. So, it will be within the space of multilateralism. And the key word in the EU is "multilateralism-friendly." We want to have a world where can have multilateralism rules agreed by everybody on climate change, on health, on regulation, finance, or whatever.

So, if this tool is not WTO compatible, then we move to the trade war territory, because it starts being discriminatory. And it will not fly because it's not the European DNA. But if it is WTO compatible, then why should I stop to implement it as it is in line with the multilateral framework? And again, I can't ask my industries to go for greening its technologies, and so on, if they compete with competitors that do not follow the same rule. They will be put out of the market. And then, from an EU perspective, that will be completely counterproductive.

And a few minutes ago you said, "How do you sell the Green Deal to the people that might lose their jobs?" How can I sell to the people working in the steel industry or the cement industry the fact that we are going to put on their plans or their line of production a carbon price of €50 euros? But if the very same steel comes from India, it will pay zero carbon. How come I can sell it? I can't.

So, there are only two ways: Either I do not put a carbon price on the steel from the EU, and then I do not solve the problem of climate change, or I put the equivalent, in terms of tariff, on the steel coming from India. And that's fair. It's not discriminatory because it would be WTO compatible.

So, that's my answer to your question. Very clear, and we will have a legislative proposal in June 21 on this. It's in the working plan of the Commission, and I can even say, step further, that President Macron from France really wants to have it decided in 2022 under the French presidency of the EU.

CASPER KLYNGE: And that will be the last words. Pascal, thanks a million for being on the podcast, but also thanks for the leadership that you're showing on sustainability. Needless to

say, at Microsoft, we are extremely interested in continuing to work with you and also finding concrete solutions for implementing the green approach.

The very last thing, where can listeners find you on social media if they want to follow the work of you?

PASCAL CANFIN: On Twitter mainly.

CASPER KLYNGE: On Twitter mainly. Very good. Thanks again, and all the best of luck for your important work.

PASCAL CANFIN: Thank you.

[MUSIC]

CASPER KLYNGE: Thanks for listening to this episode of Tech Fit 4 Europe. If you haven't done so already, hit subscribe on your favorite podcast platform to be notified when the next episode goes live. We also want to know what you think of the pod. Is there a key digital policy issue we should discuss, or a key influencer you'd like to hear from? Share your views on social media, and please pass this episode on to anyone who might enjoy it. Until next time.

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