

Leverage the full potential of public-private partnerships

Safer Together

Strengthening Europe's Civilian and Military Preparedness and Readiness by **Sauli Niinistö**

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Building block #5

“Past crises have clearly demonstrated that the private sector’s preparedness and resilience is critical to ensuring the continuity of vital governmental and societal functions.”

What is the challenge?

- **Private and public businesses (for example, State-owned companies) provide essential goods and services**, such as energy, transport, food, water supply and wastewater disposal, and medical supplies that are critical in times of crisis.
- Interdependencies between different sectors and across borders create the **potential for severe knock-on effects in crisis situations**, as we have seen in recent years.

- The recent succession of crises and disruptions have exposed **different vulnerabilities in the EU’s supply chains**. This has led to delays, price fluctuations, disruptions, shortages for consumers, etc. that affect the EU’s ability to prepare for and withstand the next crisis
- The EU is **relatively more dependent on global trade than the US or China**. The EU’s significant dependence on imports of fossil energy and near-total dependence on imported refined minerals are much higher than for the United States and China.
- Reconciling Europe’s competitiveness and economic growth, while **managing new vulnerabilities and demands in light of the securitisation of our economies** requires a major transformation. Added to these challenges are the accelerating pace and scope of global strategic competition over resources and technologies.
- Efforts to bolster the regulatory framework cut across different policy domains, including critical infrastructure, economic security, competitiveness, the green transition, defence industrial readiness,

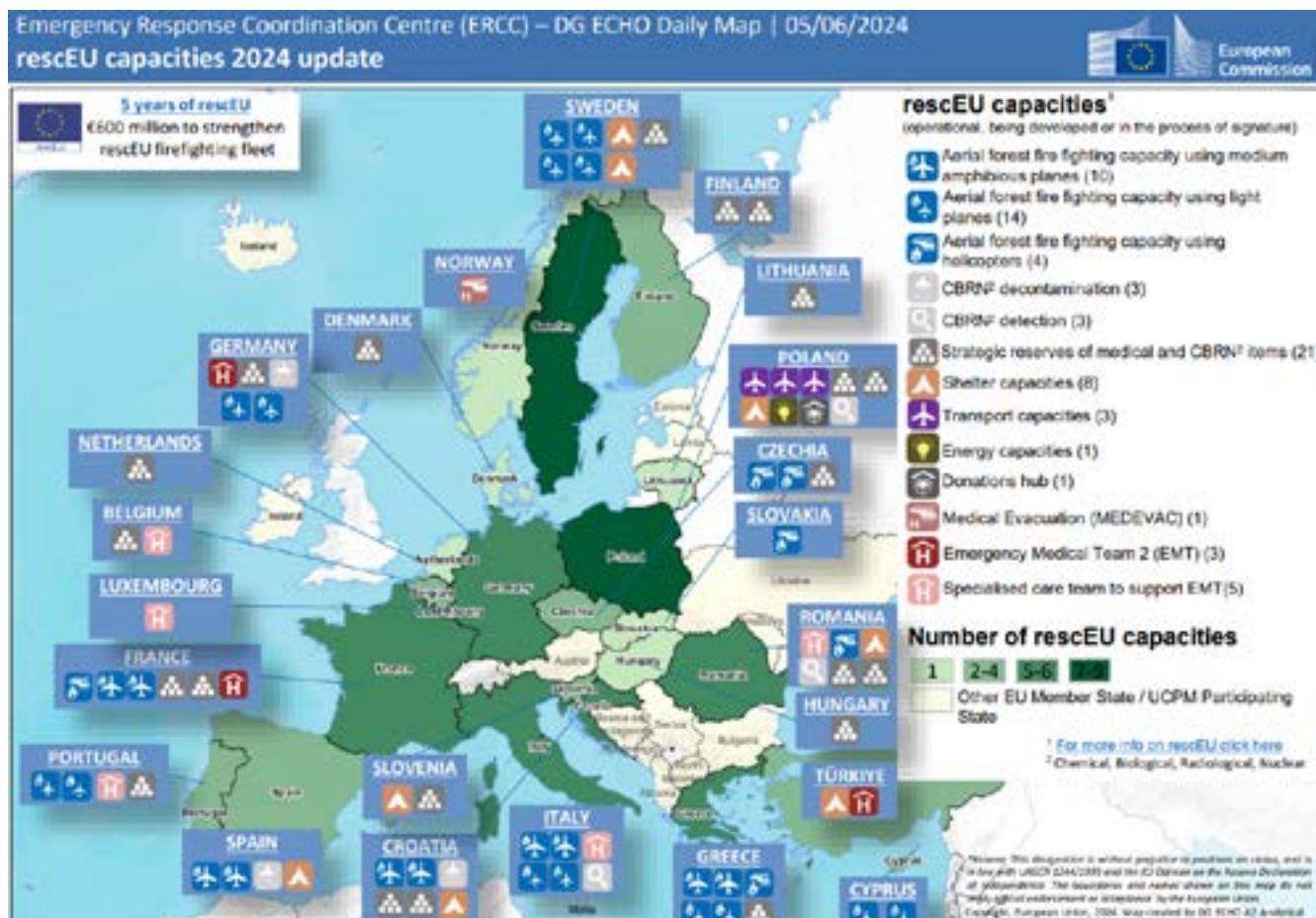
In 2022, the EU imported 97.6% of its natural gas, 97.7% of its oil, and 100% of its uranium.

China supplies 100% of the EU’s heavy rare earth elements and 97% of its magnesium, while Turkey provides 98% of its boron, and Brazil 92% of its niobium.

as well as countering hybrid threats and other malicious activities. However, **there remain certain issues to further address** in the scope and the range of actions covered thus far:

- ✓ Coordination and communication between public authorities and private entities is hampered by lacking channels for the timely and secure exchange of information.
- ✓ A rigid regulatory environment and a lack of consistent emergency provisions can undermine the speed and coherence of public-private crisis response measures.
- ✓ The integration of resilience and preparedness into businesses' core corporate strategies remains patchy.
- ✓ The current CER and NIS2 Directives leave out certain sectors that are important for preparedness, including in the event of possible armed aggression against an EU Member State.
- ✓ Levels of preparedness in terms of strategic stocks vary significantly across the Union. For several strategic goods and resources, the EU institutions still lack a comprehensive capacity to monitor in real time supply chains, public and private stocks, and production capacities across Member States.
- ✓ Lack of 'ever-warm' facilities to make the increased domestic production of critical goods possible within the Single Market in the event of shortages and disruptions to external supply chains.

What is the objective?



Overview of capacities under the strategic rescEU reserve.

- ✓ Strengthen the private sector's preparedness and resilience to ensure the continuity of vital governmental and societal functions.
- ✓ Reinforce public-private cooperation to help minimise the risks arising from certain foreign direct investments and increased geopolitical tensions, and to better protect European companies from becoming targets of economic coercion.

What actions does the Report recommend?

Enhance public-private cooperation to facilitate resilience-building, as well as swift and coordinated responses to future crises:

- ✓ Develop stronger public-private information sharing and coordination mechanisms to strengthen mutual and reciprocal exchanges on existing and emerging risks. This is crucial to enable businesses, Member States' competent authorities and the relevant EU institutions, bodies and agencies to be alerted and take the necessary precautions.
- ✓ Consider targeted and temporary flexibility measures and emergency provisions in legislation to better enable the private sector as a preparedness and crisis response actor. The EU could also build on pandemic-era ad hoc derogations from State aid rules to develop a more structured and anticipatory approach to derogations in times of crisis.
- ✓ Extend and formalise public-private crisis cooperation arrangements with the Commission that successfully enabled the acceleration of the development and authorisation of treatments and vaccines, as well as the management of the energy crisis
- ✓ Systematically integrate private sector expertise in the development of preparedness policies and emergency planning. This would enable policy-makers to better tailor policies to the needs and capabilities of critical private sector actors, and enable them to cooperate more effectively with public authorities in crisis response.
- ✓ Integrate the 'preparedness-by-design' principle in the revision of the public procurement Directive. The review should make the public procurement process not only simpler and faster, but fit for purpose in light of new challenges and risks linked to preparedness, economic security, critical infrastructure resilience, and defence, while respecting the EU's international obligations.

Reinforce private sector crisis preparedness and resilience:

- ✓ Raise business' awareness of the need for better preparedness and ensure a consistent level of crisis preparedness through joint public-private training and simulation exercises.
- ✓ Extend the critical infrastructure resilience framework established under the CER and NIS2 directives to other crisis-relevant sectors, including notably Europe's defence industrial base. Other industries vital to the maintenance of core governmental, societal, and economic functions should benefit from heightened resilience measures.
- ✓ Establish a targeted physical resilience framework for key manufacturing to enhance crisis preparedness and shock resistance. The production of highly specialised goods, such as semiconductors, aircraft and spacecraft, communications and security equipment, and specialised machines and vehicles needs to be ensured in times of crisis. The EU and its Member States should extend on a targeted (company level) basis existing resilience-enhancing frameworks to manufacturing, in doing so supporting key players that help to ensure the EU's vital functions.
- ✓ Engage with businesses in institutionalising de-risking efforts, cross-sector stress tests and proactive security measures. This could build on successful examples, such as the energy sector stress tests. Critical projects for the Union, e.g. submarine cable and pipeline infrastructure, need to be meticulously screened to avoid new vulnerabilities,

- ✓ Establish industry-specific preparedness frameworks and sector-agnostic standards to mainstream resilience, preparedness and readiness planning in the private sector. This could be systematically promoted when new EU legislation is proposed, or existing legislation is revised.

Develop a comprehensive EU Stockpiling Strategy to incentivise coordinated public and private reserves of critical inputs, and ensure their availability under all circumstances.

- ✓ While fully acknowledging Member States' role in the domain of stockpiling and strategic reserves, joint action at the EU level could help to strengthen the EU's strategic autonomy and contribute to the de-risking of excessive external dependencies in terms of raw materials and other crisis-relevant goods.
- ✓ Map ongoing efforts, best practices and needs; jointly identify a comprehensive set of essential inputs (e.g. foodstuffs, energy, critical raw materials, emergency response equipment, medical countermeasures); and define targets to ensure minimum levels of preparedness in different crisis scenarios, including in the event of armed aggression or large-scale disruptions of global supply chains.
- ✓ Ensure coherence and coordination between future initiatives and ongoing or proposed EU-level stockpiling efforts, for instance in the field of health preparedness, disaster and emergency response, energy, critical raw materials, and defence readiness.
- ✓ Strengthen the EU's ability to monitor in real time critical supply chains, production capacities and public and private stocks of select items and resources to ensure a sufficiently agile approach to stockpiling, including through an enhanced public-private partnership based on trust and mutual information sharing.
- ✓ Develop a set of operational criteria to guide the coordinated release of emergency reserves and stocks during emergencies or supply disruptions, and explore options to replenish strategic reserves through joint procurement or innovative financing options.