

PRESS RELEASE

Green and digital transition challenge Europe's cohesion

In the future, major European cities and other high-tech regions will pull even further ahead, while rural areas and regions with CO2-intensive industry will lose out. The twin transition - green and digital - that the European Union is striving for will intensify this development. Only EU funding tailored to regions can mitigate the effect.

Gütersloh/Berlin, October 12, 2022. The green and digital transition will fundamentally change the economies of European regions. However, these regions are prepared very differently for these opportunities and challenges. While the opportunities predominate for regions that are already economically strong today, weaker regions face additional challenges. Overall, already existing economic imbalances in Europe will be further exacerbated in the course of the twin transition. This is the conclusion of a Bertelsmann Stiftung study on the future of cohesion in Europe.

The study paints a three-part picture for Europe. Southern European regions in the south of Italy, Spain and Portugal, which have already stagnated economically in recent years, will see their future economic potential further limited by the twin transition. The same applies to Eastern European regions in Bulgaria, Poland and Romania on the EU's external borders, which have been able to catch up strongly in recent years, but which face major challenges, particularly from the green transition. The situation in Western and Northern Europe is different. Europe's already most prosperous regions in Germany, Austria, the Netherlands and northern Italy have the best prospects of benefiting from the twin transition. "Our findings show that the twin transition will exacerbate polarization between regions in Europe," explains Thomas Schwab, Europe expert and the study's lead at the Bertelsmann Stiftung. "The different growth prospects will become more acute, especially for Southern and Eastern Europe."

Head start for regions with high per capita incomes

Regions with high per capita incomes have a head start for transforming their economies. A focus on high-tech industry, coupled with a low use of fossil fuels, provides an additional boost. At the bottom end are regions with a pronounced agricultural sector and an already low per capita income. These regions simply lack the infrastructure and innovative companies that could benefit from the transition. But the study also shows that not every region that will benefit from digitalisation is also well positioned for ecological transition. This applies, for example, to regions with a lot of heavy industry, chemical industry or cement production.

The study used parameters from the areas of "growth", "digitalisation" and "green transition" to make their assessment. Whether a region benefits from digitalisation depends crucially on

factors such as access to the Internet, productivity and lifelong learning capacities. How high the adaptation costs of the regions are for the green transition is measured on the basis of criteria such as the number of vehicles per inhabitant, CO2 emissions or the energy efficiency of housing. The results are sobering. "The bottom line is that the twin transition poses major challenges for many regions in the EU," says Schwab.

Ensuring a better quality of life and equal opportunities

The authors of the study, which was written in cooperation with the Vienna Institute for International Economic Studies, therefore recommend that the EU no longer use per capita income as a guideline for the payment of subsidies. "We need to look more closely," Schwab says. "Is it the heavy concentration on fossil fuels that is holding a region back? Or is it the expansion of the Internet that's failing?" He says the goal must be to ensure a better quality of life and equal opportunities in all regions. Nevertheless, the inequalities that have long existed will not disappear. "European cohesion policy must accept that there will always be a certain level of inequality in the European Union," says Schwab. What is quite clear, he says, is that rural areas in particular need a lot of support. "Only through tailored support for the regions can the European Union prevent the gap between boom regions and outlying rural areas from widening even further."

Additional information

As part of its "Europe's Economy" project, the Bertelsmann Stiftung is investigating which economic, social and territorial imbalances are significant for the EU. It analyses how the structural changes associated with decarbonisation and digitalisation will affect Europe's economy and its cohesion. This study was prepared in cooperation with The Vienna Institute for International Economic Studies (wiiw). First, it examines 230 European NUTS-2 regions for their growth potential. Afterwards, each European region is analysed, with the help of a scoring approach to determine to what extent the green and digital transition will lead to deviations in regional growth prospects. In a final step, the study determines how the prosperity gap between the EU regions will develop in the future in light of the digital and green transition.

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