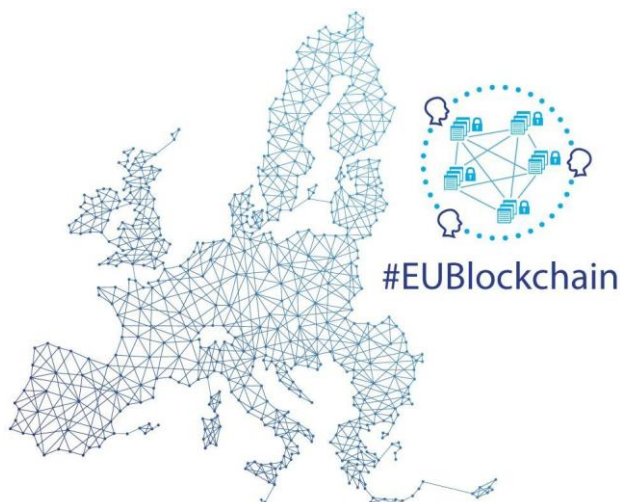EU Blockchain
Observatory and Forum

EU BLOCKCHAIN OBSERVATORY & FORUM

MIPRO 2023 Blockchain Forum
Opatija, Croatia – 24 May 2023

#EUBlockchain

By the European Commission, Directorate-General of Communications Networks, Content & Technology.

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Authors: Tonia Damvakeraki, Marianna Charalambous
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Comments and inquiries may be addressed to the following email: info@eublockchainforum.eu

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INTRODUCTION

ICT convention MIPRO 2023 was held in Opatija, Croatia from the 22nd to the 26th of May 2023 and its main orientation was ICT FOR SMART AND GREEN PRESENT AND FUTURE. The convention was held on a hybrid mode and the EU Blockchain Observatory and Forum (EUBOF) co-organized the plenary part on Wednesday, 24 May, starting with Tonia Damvakeraki's plenary keynote lecture titled "EU Blockchain Strategy". On the same day in the afternoon, Blockchain Forum was held as a central event and an integral part of the plenary session. During the Blockchain Forum, Dr Charis Savvides delivered a keynote lecture on blockchain and regulation.

EU BLOCKCHAIN STRATEFY, TONIA DAMVAKERAKI, EUBOF MANAGING DIRECTOR

Ms Tonia Damvakeraki, manager of the EU Blockchain Observatory and Forum presented EU's policy on blockchain. The EU wants to be a leader in blockchain technology, and to become an innovator in blockchain, as well as a home to significant platforms, applications and companies. This is mainly because the technology enables people and organizations who may not know or trust each other to agree on and permanently record information without a third-party authority. This increases the trust in data significantly, which in turn helps create new and better business relationships and opportunities, more trust in organizations, institutions, and people. EU strategy is designed to achieve this while supporting a gold standard for blockchain technology in Europe, embracing European values and ideals in its legal and regulatory framework.

The gold standard encompasses a number of values. The first one concerns environmental sustainability, meaning that blockchain technologies should be both sustainable and energy efficient. Blockchain technologies should also be compatible with and where possible support Europe's strong data protection and privacy regulations. Data protection is the second pillar of this gold standard. The blockchain technology should respect and enhance Europe's evolving digital identity framework. This includes being compatible with e-signature regulations such as eIDAS, and supporting a sensible, pragmatic, decentralized, sovereign identity framework. Blockchain technology should be able to provide high levels of cybersecurity because of the general threats existing right now, due to its decentralized nature.

Ms Damvakeraki also discussed how the funding coming from the EU has been distributed so far. The EU has committed, planned and used more than 340 million Euros to support blockchain-related research and innovation projects. There is a large proportion dedicated to sustainability, mainly on projects on production, traceability, circular textiles, but also on energy and transport. There are specific projects also funded in the area of security, public services, IOT, next generation internet, and much more.

EU strategy goes beyond commitment to the gold standard and investing significant funds. It's also about specific priorities. In particular, there are seven priorities, seven elements comprising the

strategy of the EU on supporting blockchain. These are building a pan-European public services blockchain, promoting legal certainty, increasing funding for research and innovation, promoting blockchain for sustainability and supporting interoperability.

The EU is leading the way in the public sector use of their blockchain by building its own blockchain infrastructure. The European Blockchain Services Infrastructure, otherwise known as EBSI, is undertaken by the European Blockchain Partnership, represented by 27 EU member states, as well as Norway and Liechtenstein, and of course the European Commission. The aim is to facilitate cross-border services in a trusted manner for things like diplomas, digital identity, and much more. Over time, this will be extended to and become interoperable with private organizations, and also functional across different sectors.

The European Commission is doing a lot to promote legal certainty in the area of blockchain, because it understands the importance for businesses and other stakeholders to have a clear regulatory regime. For example, this includes regulating crypto assets, updating the anti-money laundering rules for crypto assets through MiCA regulation, creating a pro-innovation legal framework in the areas of digital assets, supporting the development of smart contracts that protect consumers and provide legal certainty for businesses, and creating a pan-European regulatory sandbox for innovative blockchain solutions. This was launched earlier this year, and the first round of applications was completed in April. The first 20 innovative projects that will be funded for collaboration with the sandbox are expected to be announced soon. The second round is expected to launch in September.

In Horizon 2020, the Commission provided around 180 million euros for blockchain-related projects, and more is expected to be spent in the new Horizon Europe program. The Commission is also supporting investment in blockchain startups and projects through a new investment fund specifically dedicated to AI and blockchain.

Another important element of the EU blockchain strategy is ensuring sustainable economic development, addressing climate change, and supporting the European Green Deal. So far, nearly 80 million euros have been used for funding sustainability-related projects, broken down into 45 million on production, traceability and so on, as well as 25 million on energy and transport.

Furthermore, the Commission supports the work of major standardization bodies, and engages with key international bodies to discuss and establish the most suitable standards at the global level, such as INATBA.

Another element of the Commission's blockchain strategy is skills development. It's hard to be a leader in an area where there's a lack of skilled labor. For this reason, the Commission supports two great initiatives. The first one is the Digital Europe Program, a new funding program focused on bringing digital technology to businesses, citizens, and public administrations, with a budget exceeding 500 million euros for supporting digital skills over a period of seven years. And also, the Chaise Initiative, a project that is funded by the European Erasmus+ program, aiming to develop a strategic approach on blockchain skills development for Europe, as well as to deliver a future-proof training solution, taking into account current and future market needs and addressing the market gaps.

The Commission considers it important to interact and engage with the private sector, with academia and research communities, and the wider blockchain ecosystem through to main bodies. These are

INATBA and the EU Blockchain Observatory and Forum. INATBA is a public-private partnership aiming to bring EU countries together with the private sector and other stakeholders, and to support the development of the blockchain ecosystem in Europe. The Observatory is an initiative founded by the European Parliament, and supported by the European Commission aiming to pool expertise, monitor blockchain initiatives, and trans-globally share blockchain knowledge, and support the blockchain ecosystem within the EU.

BLOCKCHAIN AND REGULATORY STATUS, DR CHARIS SAVVIDES, UNIVERSITY OF NICOSIA, EUBOF

Moderated by Tadej Slapnik, CEO, Hashnet d.o.o.

Dr Charis Savvides, addressed some issues to help participants understand what to expect in this field, from an infrastructure and from a regulatory persecutive in the sense that we need to have the proper legal frameworks in place to help legal authorities, governments, companies, individuals, to rely on blockchain product services in order to get the result of their service in a legitime way. He emphasized the need to have a very robust legal framework to help us to have uniform standards and criteria when it comes to blockchain.

When it comes to blockchain technology and legal frameworks, the starting point is the understanding and recognition of this technology as a product/solution to applications in many sectors such as logistics, financials, health, corporate services, investments etc. These sectors are very well regulated, meaning that whatever new is coming in the regulatory environment needs far more diligent way of introduction.

Dr Savvides pointed out that when it comes to blockchain technology and legal frameworks, the starting point of every discussion is the understanding and the recognition of this technology as a product, as a solution to applications that they always try to improve the services, the products in different sectors such the health sector, in logistics, in corporate services and financial investment sector.

These sectors though are regulated sectors, meaning that whatever new is coming in a regulated environment needs far more diligent way of introduction. There is a common understanding between the EU member states and their governments that we need to invest in this technology, because through this technology we are able to address a number of problems that exist both in relation to time, transparency, validity, the accuracy of data in a more democratic way.

To understand and realize the value of the technology we can then move to regulate whatever is needed to be regulated. Speaking about regulations doesn't mean that we try to regulate the technology, but we try to find proper legal ways to integrate the results of the technology in existing mechanisms and existing legal frameworks.

That's the target and the process of understanding technology and placing the whole topic into a regulatory discussion appears to give the opportunity to establish what are called as regulatory sandboxes.By establishing innovation hubs or sandboxes, we try to test and control the applications

and results of this technology in a way that is understandable from both the industry and regulatory authorities.

Dr Savvides went into more details about the regulatory status of Blockchain technology, pointing out that the most important thing is the establishment of common standards and conditions when it comes to smart contracts. This is very critical when it comes to any kind of legal development in this area because this sets the standards that must at all times be commonly accepted by all participants in order to make sure that results from the application of smart contracts is acceptable from the participants. At the same time, in case that there is any confrontation, things may end up in any court of justice. This means that the proof, the evidence that is submitted to the Court of justice and is based on smart contracts is valid and acceptable and therefore the court can proceed and issue whatever verdict they want to issue.

This is very important especially since we see a lot of developments happening in the broader tokenization area, something that has multiple aspects and benefits. However, the delays that we experience so far are because we try to integrate tokenization in our existing conventional systems. If we take for example into account what happens with securities markets where the rules are very strict, there is some sort of overregulation in these areas and especially looking back to the problems that crypto has created in the past.

Dr Savvides referred specifically to initial coin offerings and the negative reaction that we got from regulators across the world which unfortunately created a sort of bad reputation about anything that had to do with tokenization, despite the distinction that we always must do between crypto and technology. Because of the negative things that we experienced in the past, there were some delays in the integration process of tokenization.

Tokenization is a tool that demonstrates for the regulators, rather than businesses, the value of the technology to exercise better control and supervision, because of transparency, immutability and all other benefits that Blockchain technology actually gives. Another area that we need to address from a regulatory perspective, has to do with intellectual property and personal data. When we deal with blockchain and its benefits such as immutability, transparency and anonymity sometimes, these are in some sort of conflict with what the GDPR actually tries to resolve in the area of personal data. Dr Savvides concluded that there is an ongoing discussion there how we can overcome these problems.

Appendix

Event Videos

- EU Blockchain Strategy keynote can be found here

- Blockchain and Regulatory Status keynote can be found here

Official agenda

TIME - EEST	ACTIVITY
10:00-13:00	OFFICIAL OPENING
	EU Blockchain Strategy, Tonia Damvakeraki (EU Blockchain Observatory and Forum, Greece)
15:30-19:00	BLOCKCHAIN FORUM
	Blockchain and Regulatory Status, Dr Charis Savvides (EU Blockchain Observatory and Forum, University of Nicosia, Cyprus)
19:00	End of event