The EU’s Initiative to Redress the Effect of COVID-19 on the Entertainment Industry

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Almost a year ago now, the pandemic outbreak disrupted the worldwide entertainment industry – and in particular, film and television production. Similar to the US, European audio-visual productions were halted, movie theaters were closed, events, premieres and entire marketing and distribution campaigns were postponed or cancelled.

Cinemas across the European Union saw a 69.0 % drop in box office numbers in 2020, accounting for a total decrease of €4 billion in revenues compared to 20191. With movie theaters on the brink of bankruptcy, postponed productions with huge increases in costs (in part due to COVID-19 safety measures), and a consumer attitude that shifted rapidly to online content consumption, the old business models will probably disappear even faster than anticipated.

In order to combat the negative effects of the crisis, the European Union (EU) stepped in with various programs to support the cultural and creative sectors, as well as artists in all of its Member States.

The EU Programs supporting the Industry

a) Creative Europe MEDIA

The main EU instrument to help the entertainment industry is the MEDIA sub-program of Creative Europe2. The program3 was implemented to provide support and funding opportunities for film
and TV projects, cinema networks, film festivals, audience development, training measures for audiovisual professionals, access to markets, distribution, video game development, online distribution, and international co-production funds.

As the COVID-19 pandemic had a particularly disruptive effect on the cultural and creative sectors in Europe, thus severely affecting their capacity to attract funding, the EU has stepped up its financing for the Creative Europe program. For 2021-2027, the planned budget for the whole Creative Europe program will be €2.4 billion, an 80% increase compared to the previous period (i.e., 2014-2020), of which €1.4 billion will be devoted to its MEDIA sub-program.

b) Recovery and Resilience Facility

The EU has also put in place a Recovery and Resilience Facility (the Facility), worth €672 billion (adopted on February 10, 2021). Although the Facility does not earmark funds towards the cultural and creative sectors of the EU, it clearly recognizes (a) the impact of the coronavirus pandemic on these sectors, and (b) the fact that the reduction in their financing can be counterproductive to the swift recovery of the economy as a whole, thus paving the way for additional funding for these sectors.

c) Temporary Framework – State Aid Schemes

To mitigate COVID-19’s disruption to the Union’s economy, the European Commission adopted a Recovery and Resilience Facility Temporary Framework (extended through December 2021) to help Member States provide support to the economy through State aid measures such as:

- aid in form of direct grants, repayable advances or tax advantages;
- aid in the form of guarantees on loans;
- aid in the form of subsidized interest rates for loans;
- aid in the form of guarantees and loans channeled through credit institutions or other financial institutions;
- short term export credit insurance; and
- wage subsidies for employees to avoid lay-offs during the pandemic.

For example, according to the information published on European Commission’s website, the Commission approved:

- a €120 million French aid scheme to partially compensate sports clubs and organizers of sports events for the loss incurred following administrative measures adopted by the French authorities to limit the spread of the coronavirus;
- a €1.9 billion Polish scheme to support companies operating in gastronomy, fitness, fairs, stage, film, entertainment and recreation, photography and physiotherapy;
- two Italian schemes, with a total budget of €20 million, to support respectively small book publishers and the music, recording and phonographic industry in the context of the coronavirus outbreak.

Perspective

In part due to COVID-19, digitalization of services became a priority, and the pandemic increased the chances of seeing a transfer of economic power from the old to the new cinema players. Along with the opportunity of reaching out to a large pool of consumers almost instantly
comes the challenge of increased competition and the need to develop technology and digital skills to provide new high-quality content in a timely manner. Additional funding sources secured by the EU could be a first step towards the implementation of cutting-edge technology in these sectors.

Like so many other sectors in our global economy, the pandemic has forced Europe’s entertainment industry get creative and adapt to a rapidly-evolving new normal. This has manifested in new ways of producing and sharing content with the audience, thereby catering to socially-distanced consumption – including through over-the-top video services. While nothing can replace live and in-person events, the lockdown has spawned new consumer habits, which will likely outlive the pandemic’s impact on our daily lives.

For stakeholders considering participating in Europe’s entertainment ecosystem, it will be critical to stay abreast of the EU’s measures and available programs.

FOOTNOTES


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