

EXPERT OPINION

ARE YOU DECENTRALIZING YET?

BLOCKCHAIN Technology



**PROFESSOR
PANAGIOTIS KETIKIDIS**

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PUBLIC & PRIVATE INVESTMENT IN BLOCKCHAIN: QUADRUPLE HELIX APPROACH TO DECENTRALIZATION

Distributed Ledger Technologies could provide the underpinnings for future growth and resilience across industries and sectors. The stimulus package allocated for post-pandemic recovery represents an unparalleled opportunity to achieve a tech enabled and sustainable Europe.

Despite several studies show that Blockchain and Distributed Ledger Technologies can provide significant benefits to European private and public sectors, decentralization has not yet proven either transformative or disruptive for industry and governments. Significant benefits are expected to materialize from increased efficiency of administrative processes, higher trust in record keeping, procurement, data management and more.

The European Union acknowledges that intervention and collaboration across stakeholders' classes is needed – including local governments, early stage investors, entrepreneurs, national or international financiers – in order to harness the potential of this groundbreaking technology.

In fact, European investment in DLTs is The EU increasingly falling behind the United States and China, as startups struggle to scale up and private investors perceive the technology as too risky. Nonetheless, the time for decentralization may have come: on one hand, the Covid-19 pandemic boosted demand for secure digital-services across all areas, from supply chain to digital identity; on the other, state authorities are entrusted to deploy sizeable amounts of capital to tackle digitalization.

To achieve the ambitious goal of building a greener, more digital and resilient Europe, it is critical to strengthen the regulatory and financial environment for deep tech, and to facilitate channeling of smart capital into R&D, commercialization and scaling. Including policy priorities, industrial know how, academic knowledge and societal demands in the dialogue on how to adapt traditional infrastructures to the decentralized model is the safe and most agile way to advance in such an uncharted territory.

ADOPTION OF DECENTRALIZED SYSTEMS AND ADVANCED A SET OF POLICY RECOMMENDATIONS

With the purpose of reinforcing such a dialogue, EBAN hosted a round table on April 15th 2021 bringing together representatives of the quadruple helix model of innovation. The round table clarified current barriers to the widespread adoption of decentralized systems and advanced a set of policy recommendations to facilitate acceptance and investment in Distributed Ledger Technologies.

THE KEY OBJECTIVES OF THE ROUND TABLE ARE OUTLINED BELOW:

- To understand the status (enablers / barriers) of Blockchain and DLTs investment in Europe
- To understand how Public and Private capital can facilitate the adoption in DLTs in Europe
- To understand the level of collaboration between investors, industry associations, policy makers, and academia

The expected outcome of the round table was to draw a set of policy recommendations from stakeholders in the public and private spheres on how to facilitate investment and adoption of DLTs via a quadruple helix approach.

POLICY RECOMMENDATIONS AND KEY TAKEAWAYS

MARINA NIFOROS

EXPERT AT EUROPEAN BLOCKCHAIN OBSERVATORY FORUM; AFFILIATE PROFESSOR AT HEC BUSINESS SCHOOL ON THE FUTURE OF WORK SAID:



We need to help decision makers understand the potential benefits and limitations of Blockchain technology. It is also important to analyse potential use cases to find out if Blockchain is a good fit, or if other technologies could provide a better solution.

Developing a proper governance and regulatory framework for blockchain-based applications will be essential to providing market participants the stability they need to fully engage with the technology, and allowing innovation to flourish in Europe. Given the global, multi-sectoral reach of blockchain, regulators and industry will have to work in a collaborative manner to ensure they can both experiment and learn, and so shape the future of the technology in a way that benefits all parties and society as a whole.

Policy makers could accelerate the introduction of a multi-jurisdictional regulatory sandbox to allow start-ups and regulators to learn together in practice and in a controlled safe space, so that they may make better-informed decisions about the boundaries of their respective responsibilities. The private sector can also undertake initiatives to ensure industrywide interoperability and compliance with existing legislation.

If designed correctly, Blockchain and Distributed Ledger can satisfy both conditionalities of the European stimulus package for recovery, namely Digital transition and Green transformation. The elucidation of these two pillars is beneficial as it forces governments to mobilize capital for creating the preconditions for future growth rather than simply disposing of spending power. However, it should be much more specific: leaving it very agnostic won't promote adoption into deep tech due to a general unwillingness to accept risks in a moment where boards are more concerned with business continuity. If defined more narrowly, state authorities could use it as a leverage to distribute capital to the private sector upon proposals of market changing applications in different industries.

MY KEY TAKEAWAYS

- Europe needs a more unified voice from the regulatory side: Blockchain does not exist in a vacuum, it is a technology that enables business models working with other technologies. A common regulatory sandbox should allow for multiple use cases that can learn from one other, while policy makers get insights on what the technology can deliver as a whole.
- On the investment side, Europe needs to roll out initiatives that facilitate investors to enter the market, starting from business angels up to later stage investors.
- European institutions, organizations and communities need to make sure that the capital allocated to the recovery fund will be used judiciously to create the precondition to the future.

SEBASTIAN MARKOWSKI PARTNER AT BLOCKCHAIN VALLEY VENTURE SAID:



Europe has a great fundament for deploying Blockchain technology because our production process usually leverages superior brands, ingredients, manufacturing excellence that would be a great use case for Blockchain. Europe also controls relevant streams of goods globally. Accumulating capital to drive Blockchain development outside of corporate activity is critical to bring Europe forward. Funding is needed to scale applications and tackle global markets, as open source and distributed ledgers are hard to realize with corporate capital only.

With the speed at which the market moves, it is more important than ever to act quickly and create a collaborative framework for public and private actors, so that we remain connected to technology and create a fruitful ground in Europe.

To leverage this technology for the positive, education on a broadest scale is probably the most important. Blockchain is not a wonder technology, is a database – simply an immutable one. I think in 10 years nobody will ask whether an application is running on Blockchain or not because it will simply be accepted: I don't know how the Internet works but that has never prevented me from using it. I would suggest to subsidized the purchase of Bitcoin and potentially also Ethereum and allow people to buy in the technology, which is the first step to thinking about it, having skin in the game and start learning about it. It's a provocative thing to do but it would give a huge push to making people aware and excited about it.

MY KEY TAKEAWAYS

- Blockchain in Europe is underfunded: despite rising interest there is a lack of execution. Europe needs to make funding available so those who are expert and invested in the field can access follow-on capital and bring the technology to maturity and commercialization. The availability of risk-free capital is crucial as well.
- Tokens should be embraced for creating incentive systems, payments and workflow especially in public blockchain protocols. Cryptocurrencies should not be regarded as evil as they have a great use in decentralized networks. European regulators and investors should be open to tokens investment: the disintermediation of asset management is the future of finance, the innovation and value creation coming from that market is massive.
- Despite Blockchain is currently pretty much focused on fintech, it will seriously shape how we think about tech and governance, and how we run systems: I expect private and public key cryptography to become the standard way we interact with the Internet and deal with our privacy.

LENNY KOH FOUNDER AND DIRECTOR OF ADVANCED RESOURCES EFFICIENCY CENTER SAID:



Our resources networks and their supply chains are increasingly digitalized and call for more resilience. Blockchain can play a role by transforming the systems provenance, immutability and finality, where single version of truth can help improve trust and resilience. The ability to manage such change efficiently and sustainably will differentiate the future state. This calls for responsible digitalisation integration with environment, social and economic factors equally embedded in the process, preventing resource scarcity and encouraging a balanced future system with harmonisation of resource flow. Public and private investments towards research and innovation in such a direction will help to accelerate uptake and standard of operations, along with industrial policy.

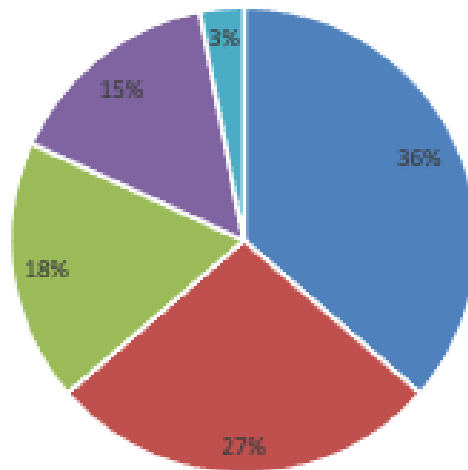
More from: Koh, Dolgui and Sarkis (2020) Full article: Blockchain in transport and logistics – paradigms and transitions

MY KEY TAKEAWAYS

- The rise in digitalization asks for more resilience in the way we respond to technology: we need to explore the applications of blockchain including considering the integration of technologies such as AI, ML, 5G or even 6G and other areas that are essential to the digitalization fabric
- To fully exploit the potential of deep tech, Europe needs to foster integration between science and technology, linking research and industry and pushing forward scientific breakthrough into applications and commercialization. To accomplish this, strong connections among stakeholders are key.

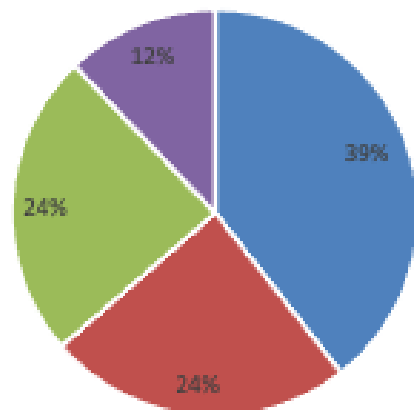
THE AUDIENCE SAY:

What is the major risk of investing in DLTs?



- Political – uncertainty on political decisions and changes in regulation
- Legal – uncertainty on lawsuits and freedom to operate
- Social – uncertainty on acceptance and changes in social norms
- Technological – uncertainty about companies' ability to deliver
- Environmental – uncertainty on liabilities due to environmental issues

Which area of intervention should be prioritized by EU institutions?



- Regulatory environment
- Access to finance and co-investment
- Visibility, recognition and better understanding
- Cooperation with national governments