



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2006) 1732 final

Strasbourg, 14 February 2006

MINUTES
of the 1732nd meeting of the Commission
held in Brussels
(Berlaymont)
on Wednesday 8 February 2006
(morning)

PV(2006) 1732 final

CONTENTS

Attendance list	5-8
1. AGENDAS (OJ(2006)1732/3; SEC(2006)144/2).....	9
2. WEEKLY MEETING OF CHEFS DE CABINET (SEC(2006)1732)	9
3. MINUTES OF 1731ST MEETING (1 FEBRUARY) (PV(2006) 1731).....	9
4. MONITORING THE APPLICATION OF COMMUNITY LAW	10
4.1. AMENDMENT OF EXEMPTION REGULATION (EC) NO 1/2004 ON THE APPLICATION OF ARTICLES 87 AND 88 OF THE EC TREATY TO STATE AID TO SMALL AND MEDIUM-SIZED ENTERPRISES ACTIVE IN THE PRODUCTION, PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS (SEC(2006)141/2).....	10
4.2. STATE AID - RECAPITULATIVE LIST (SEC(2006)180; SEC(2006)163).....	10
5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS.....	11
5.1. WRITTEN PROCEDURES APPROVED (SEC(2006)145 et seq.)	11
5.2. SENSITIVE WRITTEN PROCEDURES (SEC(2006)146).....	11
5.3. EMPOWERMENT (SEC(2006)147 et seq.).....	11
5.4. EMPOWERMENT FOR THE ADOPTION OF COMMISSION REGULATIONS NEEDED FOR THE UPDATING OF COUNCIL REGULATION (EC) NO 2368/2002 IMPLEMENTING THE KIMBERLEY PROCESS CERTIFICATION SCHEME FOR THE INTERNATIONAL TRADE IN ROUGH DIAMONDS (SEC(2006)168 and /2).....	11
5.5. DELEGATION AND SUBDELEGATION OF POWERS	11
6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2006)148)	12
6.1. DG AGRI – APPOINTMENT OF A*14/15 DIRECTOR (PERS(2005)147 to /4).....	12

6.2. DG TRADE – APPOINTMENT OF AN A*14/15 DIRECTOR (PERS(2005)152 to /3).....	12
6.3. DG ADMIN – EXTENSION OF THE SECONDMENT IN THE INTEREST OF THE SERVICE OF A GRADE A*15 OFFICIAL.....	13
6.4. STATE OF PLAY ON THE COMPLIANCE BY SERVICES WITH THE OBLIGATIONS PRESCRIBED UNDER THE FOURTH ACTION PROGRAMME FOR EQUAL OPPORTUNITIES BETWEEN WOMEN AND MEN AT THE COMMISSION (SEC(2006)171).....	13
7. REPORT ON THE FUNCTIONING OF THE TRANSITIONAL ARRANGEMENTS ON FREEDOM OF MOVEMENT FOR PERSONS SET OUT IN THE 2003 ACCESSION TREATY (COM(2006)48 TO /4) ; SEC(2006)152).....	14
8. INTERINSTITUTIONAL RELATIONS (SEC(2006)149).....	16
8.1. LEGISLATIVE MATTERS.....	16
8.2. RELATIONS WITH THE COUNCIL (SI(2006)79) See item 13.2 of these minutes.....	19
8.3. RELATIONS WITH PARLIAMENT.....	19
9. POLICY DEBATE – TOWARDS AN INTEGRATED EUROPEAN ENERGY POLICY (SEC(2006)172 AND /2).....	20
10. COMMISSION COMMUNICATION TO PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON AN EU STRATEGY FOR BIOFUELS (COM(2006)34 TO /4; SEC(2006)142 TO /4 ; SEC(2006)153).....	24
11. RELATIONS WITH THIRD COUNTRIES.....	25
WORLD TRADE ORGANISATION (SEC(2006)166 and /2; SEC(2006)169).....	25
12. TRENDS IN THE MEMBER STATES (SEC(2006)182 AND /2).....	26

13. OTHER MATTERS	27
13.1. <i>THE ECONOMIC AND BUDGETARY IMPACT OF AGEING (SEC(2006)167)</i>	27
13.2. <i>REDUCED RATES OF VAT</i>	27

Single sitting: Wednesday 8 February 2006 (morning)

The sitting opened at 0836 hours with Mr Barroso, President, in the chair. Items 9 (in part), 10 (in part), 11 12 and 13 were chaired by Ms WALLSTRÖM.

Present:

Mr BARROSO	President	Items 1 to 9 (in part) and 10 (in part)
Ms WALLSTRÖM	Vice-President	
Mr VERHEUGEN	Vice-President	
Mr BARROT	Vice-President	Items 1 to 12
Mr KALLAS	Vice-President	
Mr FRATTINI	Vice-President	Items 1 to 9 (in part), 10 (in part) and 11
Ms REDING	Member	Items 1 to 9 (in part) and 10 (in part)
Mr DIMAS	Member	Items 8 to 13
Mr ALMUNIA	Member	
Mr BORG	Member	
Ms GRYBAUSKAITĖ	Member	
Mr POTOČNIK	Member	
Mr KYPRIANOU	Member	Items 1 to 9 (in part), 10 (in part) and 11
Mr REHN	Member	
Mr MICHEL	Member	Items 1 to 11
Mr KOVÁCS	Member	
Ms KROES	Member	Items 1 to 9 (in part), 10 (in part) and 11
Ms FISCHER BOEL	Member	Items 1 to 11
Mr ŠPIDLA	Member	Items 1 to 9 (in part), 10 (in part) and 11
Mr MANDELSON	Member	Items 1 to 9 (in part), 10 (in part) and 11
Mr PIEBALGS	Member	Items 1 to 11

Absent:

Ms HÜBNER	Member
-----------	--------

Mr FIGEL'	Member
Ms FERRERO-WALDNER	Member
Mr McCREEVY	Member

The following sat in to represent absent Members of the Commission

Mr YOUNG	A member of Ms HÜBNER's staff
Ms GAMEIRO	Deputy Chef de cabinet to Mr FIGEL'
Mr CHILD	Chef de cabinet to Ms Ferrero-Waldner
Mr POWER	Chef de cabinet to Mr McCreevy

The following also sat in

Mr VALE DE ALMEIDA	Chef de cabinet to the President	
Mr PETITE	Director-General, Legal Service	Items 8 to 13
Mr SØRENSEN	Director-General, Press and Communication	
Mr LAITENBERGER	Commission Spokesman	Items 1 to 9 (in part), 10 (in part) and 11
Mr MOAVERO-MILANESI	Director-General, Bureau of European Policy Advisers (BEPA)	
Ms MARTINHO	Chief Adviser in the President's Office	Items 1 to 7
Mr ELLIS	A member of the President's staff	Items 8 to 11
Ms HOFFMANN	Deputy Chef de cabinet to Ms REDING	Items 9 (in part), 10 (in part), 11, 12 and 13
Ms KONTOU	Chef de cabinet to Mr DIMAS	Items 1 to 7 (in part)
Mr SCHELLEKENS	Deputy Chef de cabinet to Mr DIMAS	Item 7 (in part)
Ms PINHO	A member of Mr KYPRIANOU's staff	Items 9 (in part), 10 (in part), 12 and 13
Ms BENTO PAIS	A member of Ms FISCHER BOEL's staff	Items 9 to 11
Ms SCHREIBER	Chef de cabinet to Mr ŠPIDLA	Items 1 to 7
Mr REDONNET	Deputy Chef de cabinet to Mr MANDELSON	Item 11
Mr JONES	Deputy Chef de cabinet to Mr PIEBALGS	Items 9 to 11
Mr CERCONE	Spokesman	Items 12 and 13
Mr RUETE	Director-General of Energy and Transport	Items 9 to 11
Mr VIGNON	Employment, Social Affairs and Equal Opportunities	Item 7

Secretary: Ms DAY, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

1. AGENDAS

(OJ(2006)1732/3; SEC(2006)144/2)

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF CHEFS DE CABINET

(SEC(2006)1732)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 30 February.

3. MINUTES OF 1731st MEETING (1 February)

(PV(2006) 1731)

The Commission approved the minutes of its 1731st meeting.

4. MONITORING THE APPLICATION OF COMMUNITY LAW

4.1. AMENDMENT OF EXEMPTION REGULATION (EC) NO 1/2004 ON THE APPLICATION OF ARTICLES 87 AND 88 OF THE EC TREATY TO STATE AID TO SMALL AND MEDIUM-SIZED ENTERPRISES ACTIVE IN THE PRODUCTION, PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS (SEC(2006)141/2)

The Commission decided to open the legislative procedure by approving the draft exemption regulation in SEC(2006) 141/2 with a view to consulting the Advisory Committee on State Aid in accordance with Article 8(1)(a) of Regulation (EC) 994/98. It authorised the Member responsible for agriculture and rural development to continue this procedure, and in particular:

- to transmit the draft Regulation to the Member States and to consult them in the Advisory Committee;
- to have the draft regulation published in the Official Journal in accordance with Article 6 of Regulation (EC) No 994/98, taking account of the amendments proposed by the Advisory Committee;
- to consult the Advisory Committee afresh on the text, pursuant to Article 8(1)(b) of Regulation (EC) No 994/98, in the light of the changes proposed at the public consultation.

4.2. STATE AID - RECAPITULATIVE LIST (SEC(2006)180; SEC(2006)163)

The Commission adopted the decisions in the recapitulative list (SEC(2006)180).

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED

(SEC(2006)145 et seq.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 30 January and 3 February.

5.2. SENSITIVE WRITTEN PROCEDURES

(SEC(2006)146)

The Commission took note of written procedures initiated between 30 January and 3 February for the adoption of decisions with political implications.

5.3. EMPOWERMENT

(SEC(2006)147 et seq.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 30 January and 3 February.

5.4. EMPOWERMENT FOR THE ADOPTION OF COMMISSION REGULATIONS NEEDED FOR THE UPDATING OF COUNCIL REGULATION (EC) NO 2368/2002 IMPLEMENTING THE KIMBERLEY PROCESS CERTIFICATION SCHEME FOR THE INTERNATIONAL TRADE IN ROUGH DIAMONDS

(SEC(2006)168 and /2)

The Commission granted the empowerment as set out in SEC(2006) 168/2 to the Commission Member responsible for external relations.

5.5. DELEGATION AND SUBDELEGATION OF POWERS

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 30 January and 3 February, as archived on the "Grefte 2000" (Registry) website.

6. ADMINISTRATIVE AND BUDGETARY MATTERS
(SEC(2006)148)

ADMINISTRATIVE MATTERS
(PERS(2006)18)

6.1. DG AGRI – APPOINTMENT OF A*14/15 DIRECTOR
(PERS(2005)147 to /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, Directorate B (International Affairs II, in particular Enlargement) in the Agriculture and Rural Development Directorate-General (PERS(2005)147 and /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 29 November and 8 December 2005 (PERS(2005)147/2 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered the applicants' ability, efficiency and conduct in the service. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Ms FISCHER BOEL, it then decided to appoint Mr Aldo LONGO to the vacant post.

This decision would take effect on a date to be determined.

6.2. DG TRADE – APPOINTMENT OF AN A*14/15 DIRECTOR
(PERS(2005)152 to /3)

The Commission had before it applications under Article 29(1)(a)(i) of the Staff Regulations for the post of Director in Directorate C (Development and management of free trade and economic partnership agreements with ACP

countries, Latin America, GCC and Iran. GSP) of the Trade Directorate-General, (PERS(2005)152).

The Commission took note of the opinions of the Consultative Committee on Appointments of 22 November and 1 December 2005 (PERS(2005)152/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr MANDELSON, it then decided to appoint Mr Peter THOMPSON to the vacant post.

This decision would take effect on a date to be determined.

6.3. *DG ADMIN – EXTENSION OF THE SECONDMENT IN THE INTEREST OF THE SERVICE OF A GRADE A*15 OFFICIAL*

On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr ALMUNIA, the Commission decided to extend until 2 February 2007 the secondment in the interests of the service of Mr Daniel BYK, official in grade A*15, to the Ministry of Foreign Affairs in the Grand Duchy of Luxembourg.

This decision would take effect immediately.

6.4. *STATE OF PLAY ON THE COMPLIANCE BY SERVICES WITH THE OBLIGATIONS PRESCRIBED UNDER THE FOURTH ACTION PROGRAMME FOR EQUAL OPPORTUNITIES BETWEEN WOMEN AND MEN AT THE COMMISSION*
(SEC(2006)171)

The Commission took note of the information note from Mr KALLAS in SEC(2006)171. It noted that its Directorates-General and Services, with the exception of the Publications Office, had now complied with their obligation to put in place a gender equality Focal Point, an equal opportunities group and

an action plan pursuant to the fourth action programme for equal opportunities between women and men.

**7. REPORT ON THE FUNCTIONING OF THE TRANSITIONAL ARRANGEMENTS ON FREEDOM OF MOVEMENT FOR PERSONS SET OUT IN THE 2003 ACCESSION TREATY
(COM(2006)48 to /4) ; SEC(2006)152)**

The PRESIDENT paid tribute to the quality and balance of Mr ŠPIDLA's report to the Commission. He reminded the meeting of the obligation under the transitional provisions on the free movement of persons in the 2003 Accession Treaty to supply Member States with the factual information needed if they were to review their positions ahead of the second stage of the transitional period. He emphasised also the need to take account of the current political context. The PRESIDENT noted that the recommendation set out at the end of the report (that the Commission was entitled but not obliged to present) took full account of the Member States' right under the 2003 Treaty of Accession to decide perfectly autonomously to apply the Community acquis or to maintain the suspension of part of the legislation on the free movement of workers in the second stage of the transitional period.

Mr ŠPIDLA presented his report. He began by mentioning the importance that he attached to the free movement of workers in the wider Europe, particularly in view of the beneficial impact on growth and employment, while remaining fully aware of the legal framework set by the Accession Treaty. The report took statistics supplied by the twenty-five Member States, of proven quality and reliability, as the basis for an objective and rigorous analysis of the labour markets there and a balanced conclusion, which should facilitate a dispassionate debate on these sensitive issues.

After the PRESIDENT and Mr ŠPIDLA had spoken, the Commission held an in-depth discussion, highlighting in particular:

- the vital importance of the free movement of workers in the enlarged Union and its effects, particularly on growth and employment;
- the reasons for the existence of these transitional provisions and their role in the conclusion of the accession negotiations;
- the conclusions which could be drawn from the data presented in the report, the quality and reliability of which were stressed by many of those who spoke;
- the political stance that should be derived from the facts set out in the report, so as to promote a sense of solidarity and cohesion between the Member States in the general interest of the Union;
- the need to take account of the possible implications of the debate prompted by publication of the report for the current enlargement process;
- the importance for the Commission of remaining consistent with the positions that it had taken previously and speaking soberly and objectively with one voice on this question;
- the probable effect if suspensions were lifted ahead of the second stage of the transitional period;
- the possible inconsistency between the 2003 Accession Treaty and Directive 2003/109/EC concerning the status of third-country nationals who are long-term residents, which could be interpreted as conferring on third-country nationals certain rights not enjoyed by EU-8 citizens; consequently, this problem had to be settled without delay so as to ensure the uniform application of the directive in all the Member States.

The PRESIDENT concluded the debate by stating that the social partners had supported the ending of the transitional restrictions and emphasising the importance of presenting the report to the outside world in a sober manner. The Commission

should highlight the objectivity and rigour of the analysis and the factual information in the report.

He asked Mr FRATTINI and Mr ŠPIDLA to consider and clarify the various aspects of the possible conflict between the 2003 Treaty of Accession and Directive 2003/109/EC concerning the status of third-country nationals who are long-term residents and to report as soon as possible.

The Commission approved the report in COM(2006)48/4 for transmission to the Council, Parliament, the Economic and Social Committee and the Committee of the Regions.

8. INTERINSTITUTIONAL RELATIONS

(SEC(2006)149)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 3 February (SEC(2006)149).

It paid particular attention to the following points:

8.1. *LEGISLATIVE MATTERS*

i) Preparations for February II part-session

(point 1.2. of the record)

In accordance with the rules in force, the Commission authorised the Commission Members responsible, in agreement with the PRESIDENT, Ms WALLSTRÖM and any other Members associated, to take a position on Parliament's amendments to its proposals. It paid particular attention to the following:

2nd reading

- DE VEURAC report: Community air traffic controller licence - COM(2004)473 - 2004/0146 (COD)

The Commission took note of document SP(2006)448 and of the fact that Parliament was proposing no amendment to the common position at this stage and that the procedure would be therefore be closed at second reading.

First reading

- GAUZÈS report – Service in the Member States of judicial and extrajudicial documents in civil or commercial matters – COM(2005)305 – 2005/0126(COD)

The Commission adopted the line set out in SP(2006)447 and /2 and authorised Mr FRATTINI to continue contacts with Parliament and the Council with a view to securing agreement at first reading.

- GEBHARDT report – Services in the internal market – COM(2004)2 – 2004/0001 (COD)

The PRESIDENT drew the Commission's attention to the crucial importance of the stage of proceedings for the future of the services directive. He reported on his contacts with the managers of Parliamentary business with a view to the vote to be held at the mid-February plenary. The PRESIDENT reminded Members of the next stages of the preparatory and decision-making procedure and encouraged them to lobby their interlocutors in Parliament to boost the prospects of reaching a balanced solution. He confirmed that the Commission would have another opportunity to consider the matter at its next meeting in Strasbourg.

Simple consultation

- BERMAN report – minimum rules for the protection of chickens kept for meat production – COM(2005)221 – 2005/0099 (CNS)

The Commission adopted the line set out in SP(2006)449 and /3.

ii) Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure

(point 1.3. of the record)

The PRESIDENT reported on latest developments. He mentioned in particular the critical reception given by Coreper and Parliament's Committee on Budgets to the revised proposal for an interinstitutional agreement adopted by the Commission on 1 February 2006 in the form of a working document (COM(2006)36 final). Each of the two arms of the budgetary authority considered the Commission proposal to be excessively close to the positions taken by the other. The PRESIDENT also mentioned the reception given by the Committee on Budgets to the personal letter that he had sent the President of the Council and the President of Parliament on 1 February. He felt that it would be worthwhile for the Commission to reiterate its determination to reach an agreement. He accordingly proposed, with Ms GRYBAUSKAITĖ's support, that the Commission, in preparation for the dialogue of 21 February 2006, should:

- set out in a new working document some of the material contained in the letter of 1 February;
- continue technical work on the breakdown of amounts of each of the headings; and
- prepare an assessment of the impact of the political agreement reached at the December 2005 European Council.

The Commission held a brief exchange of views, addressing questions such as the need to avoid hasty reactions and the advisability of continuing reflection at the highest level in Parliament.

Having confirmed the Commission's full support for the handling of the case by Ms WALLSTRÖM and Ms GRYBAUSKAITĖ and for the proposed action, the PRESIDENT reminded the meeting of the importance of

maintaining collective responsibility intact in the negotiations in progress, avoiding all individual sectoral initiatives. He concluded by confirming that the Commission would have another opportunity to take stock of the situation at its next meeting in Strasbourg.

**iii) Action to be taken on Parliament's opinions
(SP(2006)436)**

The Commission approved the proposed empowerment decisions relating to action to be taken on the amendments presented by Parliament under the codecision procedure (SP(2006)436).

**8.2. RELATIONS WITH THE COUNCIL
(SI(2006)79)**

See item 13.2. of these minutes.

8.3. RELATIONS WITH PARLIAMENT

**iv) Results of part-session of 1 to 2 February
(SP(2006)485)**

The Commission took note of the information supplied relating to Parliament's part-session held in Strasbourg from 1 to 2 February.

**v) Action taken on non-legislative resolutions adopted by Parliament at
its December I part-session
(point 3.3.2. of the record)**

The Commission approved SP(2006)453 and /2 on the follow-up to the non-legislative resolutions adopted by Parliament at its December I part-session, for transmission to Parliament.

vi) Action taken on Parliament's resolution concerning VAT on labour-intensive services adopted at the November II part-session

(point 3.3.4. of the record)

The Commission adopted and decided to transmit to Parliament document SP(2006)311/3 on the action taken on Parliament's resolution concerning VAT on labour-intensive services adopted at the November II part-session.

vii) Participation by Members of Parliament in international conferences

First Meeting of the Parties to the World Health Organisation (WHO) Framework Convention on Tobacco Control, Geneva, 6 to 17 February 2006

(point 3.4. of the record)

The Commission decided to give an affirmative answer to the request from Mr BORRELL, President of Parliament, to the PRESIDENT concerning the participation of three members of Parliament at this conference.

9. POLICY DEBATE – TOWARDS AN INTEGRATED EUROPEAN ENERGY POLICY

(SEC(2006)172 and /2)

The PRESIDENT pointed out that the main objective of the debate was to prepare guidelines for preparations for the Green Paper on energy that the Commission was to adopt at the beginning of March, particularly with a view to the spring European Council. Energy had become a crucial question for the present Commission, as the Heads of State or Government were now willing to look favourably on the idea of establishing a European energy policy. The Commission should consequently continue and conclude the work on a green paper in order to boost its credibility in this strategic area. It should induce the European Council to adopt favourable conclusions allowing progress to be made in devising a European energy policy. It should consequently state its ambitions without going unnecessarily into sensitive

issues such as the Member States' preferences for specific energy sources. The PRESIDENT completed his introduction by highlighting the four series of questions set forth in the information note distributed as SEC(2006)172/2.

To launch the policy debate, Mr PIEBALGS drew Members' attention to several important factors, such as the entirely new situation on the energy markets, where there were both supply-side and demand-side difficulties and geopolitical risks were being exacerbated; the negative impact of energy prices on growth and job-creation; the growing dependence of the Member States on energy imports; the impact of greenhouse gas emissions, etc. He reminded the meeting that energy policy was still firmly the Member States' responsibility despite the emergence of European gas and electricity markets and a European legal framework in environment and taxation matters. In this connection, he drew attention to the growing influence of globalisation and development of the internal market and, consequently, the influence of external players on the Member States' energy policies. Mr PIEBALGS considered that the key words of the European energy policy were competitiveness, sustainable development and security of supply, and he stated that the green paper could incorporate the six challenges mentioned in the information note – make the Union into the world's most energy-efficient region, reduce greenhouse gas emissions, speed up technological innovation, develop the internal energy market and encourage diversification of primary energy sources. Mr PIEBALGS recommended that the Member States develop and promote a common vision of the external aspects of energy policy, for instance by means of common negotiations with key exporting countries. He also called for promotion of a stable and foreseeable environment for investments. Mr PIEBALGS closed by hoping that the green paper would make a positive contribution to the democratic debate on energy.

Following these remarks, the Commission held an in-depth discussion, in which it discussed the following questions in particular:

- the mandate given to the Commission at the informal meeting of Heads of State or Government at Hampton Court;
- the reasons why there should be a European energy policy;

- the importance for the Member States of speaking with one voice on energy matters, particularly given the intensification of international competition in this area;
- the link between the internal dimension (internal market, competitiveness, solidarity) and the external dimension (relations with producer and transit countries);
- the advisability of basing the European energy policy on three pillars: competitiveness, sustainable development and security of supplies;
- the importance of ensuring that the liberalised gas and electricity markets worked smoothly for reasons connected with prices and supply, and the possibility, should the need arise, of boosting the legal framework following analysis of the results of the ongoing sectoral inquiry;
- the need to ensure that the Union became the world's most energy-efficient region;
- the case for setting mandatory priority objectives and/or choosing an approach based on free markets and investment incentives;
- the possible case for decoupling growth from energy consumption;
- the implications of the international situation for supply security and the possibility of using trade and development policy to strengthen the security of supplies and to improve the energy mix;
- the possible value of developing transparent and effective rules governing the transit of energy products;
- the importance of halting the increase in the Union's energy dependence;
- the importance of encouraging the most sustainable energy mix possible and the need for thorough impact assessments for all possible solutions;

- the importance of respecting the Member States' prerogatives as regards nuclear energy, where the Commission's role might be to enlighten the debate by providing factual information on the treatment of waste or on the contribution of this energy source to security of supplies, the reduction of CO₂ emissions, etc.;
- the interest of developing renewable energy sources by way of priority;
- the need to attach great importance to innovation and research;
- the need to study the impact of the system for trading greenhouse gas emission rights on electricity prices.

To conclude the debate, Ms WALLSTRÖM agreed that the Commission should take the opportunity offered by the Heads of State or Government at Hampton Court by presenting an ambitious Green Paper going fully into the various possible options, both internal and external. She drew the Commission's attention to the importance of effective communication on energy matters and of using the most productive instruments such as commercial policy, the budget and relations with non-member countries. The Commission should work to establish a genuine single market in energy. On the nuclear energy question, Ms WALLSTRÖM pointed to the importance of treading cautiously, avoiding statements for or against this source of energy but preferring an analytical and objective approach. Finally, all these measures must contribute to boosting the Member States' confidence in the Commission, and Ms WALLSTRÖM expressed the Commission's full support for Mr PIEBALGS in bringing preparatory work on the Green Paper to a successful conclusion in the light of that day's policy debate.

10. COMMISSION COMMUNICATION TO PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON AN EU STRATEGY FOR BIOFUELS (COM(2006)34 to /4; SEC(2006)142 to /4 ; SEC(2006)153)

Ms FISCHER BOEL outlined the initiative that she was tabling in agreement with the PRESIDENT, Mr PIEBALGS and Mr MICHEL. She set it in the context of the biomass action plan adopted in December 2005, encouragement for biofuel production from agricultural commodities, high crude-oil prices, the strict Kyoto objectives and the strategic need to increase the Union's energy autonomy. She states that this was a timely initiative coinciding with that meeting's policy debate on the European energy policy (item 9 of these minutes). Ms FISCHER BOEL recognised the need to continue efforts to strengthen the competitiveness of the biofuels industry, particularly second-generation biofuels, and pointed out that if the EU did not act now, it was likely to lose major economic opportunities in energy. She concluded by mentioning the objective set by the biofuels Directive of raising their market share from the present 2% to 5.75% by 2010.

The PRESIDENT pointed to the balanced approach of the communication which further reinforced the Commission's credibility in the international energy debate. He thanked Ms FISCHER BOEL, Mr PIEBALGS and Mr MICHEL and their staff for the excellent cooperation they had given during the preparations for the communication and for the high standard of the result obtained.

The Commission held a brief exchange of views on the communication, in which the following points were considered:

- the link between the proposed measures to promote production and use of biofuels and their contribution to reducing greenhouse gas emissions;
- the importance of ensuring that commodities intended for the manufacture of biofuels were cultivated on a sustainable basis in the EU and in developing countries;

- the advisability of a market-based incentives system;
- the new possibilities for diversifying income sources and employment in rural areas with the development of biofuels production.

The Commission approved the communication in COM(2006)34/4 for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, together with the impact assessment in the staff paper SEC(2006)142/4, the contents of which were noted.

11. RELATIONS WITH THIRD COUNTRIES

WORLD TRADE ORGANISATION

(SEC(2006)166 and /2; SEC(2006)169)

Mr MANDELSON mentioned the Doha Development Agenda, the interim report of the World Trade Organisation Panel on the dispute concerning genetically modified organisms and the repercussions of the publication of certain cartoons in the European press for international trade.

Regarding the Doha programme, Mr MANDELSON commented on the information note that he was presenting jointly with Ms FISCHER BOEL. He outlined political developments since the Hong Kong ministerial meeting and the Davos World Economic Forum. He referred particularly to the improvement in the general context and the conditions for the ongoing multilateral negotiations, without prejudice to appropriate bilateral contacts with certain key players. Ms FISCHER BOEL pointed to the importance of continuing the negotiations on agricultural products, other products (“NAMA”) and services.

The Commission took note of the information note from Ms FISCHER BOEL and Mr MANDELSON distributed as SEC(2006)166/2.

As regards the conclusions of the World Trade Organisation Panel's interim report, Mr MANDELSON ran down the main arguments presented to the panel, which was critical of the method of operation of the Community system of marketing authorisations for products obtained from genetically modified organisms between October 1998 and August 2003. Mr MANDELSON also mentioned other issues addressed by the panel in its report, such as the *de facto* moratorium, deadlines and national safeguard measures.

Mr MANDELSON finally mentioned the effect on international trade of the publication of certain cartoons in the European press. A brief exchange of views followed, in the course of which the Commission pointed to the importance of expressing unrelenting solidarity with the Member State most directly concerned.

Ms Wallström recalled the statements made by the Commission Spokesman on behalf of the President and reminded the Commission of the importance of abiding by the communication guidelines which they had all received. She pointed out the political importance and complexity of the matter and agreed to raise it again at the next Commission meeting.

12. TRENDS IN THE MEMBER STATES

(SEC(2006)182 and /2)

Ms WALLSTRÖM presented an information note on trends in the Member States, containing information on Bulgaria and Romania for the first time. She drew particular attention to certain results of the January 2006 Eurobarometer survey concerning the perception of the situation in public opinion and the challenges in the field of energy.

The Commission took note of this information and of the note by Ms WALLSTRÖM distributed as SEC(2006)182 and /2.

13. OTHER MATTERS

13.1. *THE ECONOMIC AND BUDGETARY IMPACT OF AGEING* (SEC(2006)167)

The Commission took note of the information note from Mr ALMUNIA in SEC(2006)167.

13.2. *REDUCED RATES OF VAT*

Mr KOVÁCS reported on the results of the meeting held in Vienna on 1 February 2006 on the specific position of Poland concerning reduced rates of value-added tax. He welcomed the decision by the Polish authorities to accept the Council Presidency's compromise, which had already been accepted by all the other Member States. The legitimate concerns expressed by the Polish Government had been fully taken into account in the Commission's interpretation of certain aspects of the application of the current provisions, particularly the scope of the reduced rates. Mr KOVÁCS gave a quick run-down on the various components of the agreement on the extension of reduced rates to labour-intensive services. He reminded the meeting that the Commission had been asked to report to the Council and Parliament, before the end of June 2007, on an assessment of the impact of reduced rates applied to services supplied locally, particularly in the restaurant business, on job-creation and economic growth and on the operation of the internal market, on the basis of a study to be carried out by a group of independent experts.

The Commission took note of this information and congratulated Mr KOVÁCS on the agreement obtained.

*

* *

The meeting closed at 1244 hours.