EUROPEAN COMMISSION

SECRETARIAT-GENERAL

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MINUTES

of the 1919th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 26 May 2010

(morning)

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Single sitting: Wednesday 26 May 2010 (morning)

The sitting opened at 9.07 with Mr Barroso, President, in the chair.

Present:

Mr BARROSO	President	
Baroness ASHTON	High Representative/Vice-President	
Ms REDING	Vice-President	
Mr ALMUNIA	Vice-President	
Ms KROES	Vice-President	
Mr TAJANI	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr POTOČNIK	Member	
Mr REHN	Member	Items 1 to 13 (in part)
Mr BARNIER	Member	Items 1 to 13 (in part)
Ms VASSILIOU	Member	Item 11 (in part)
Mr ŠEMETA	Member	
Mr DE GUCHT	Member	Items 11 (in part) to 13 (in part)
Mr DALLI	Member	
Mr LEWANDOWSKI	Member	Items 1 to 13 (in part)
Ms DAMANAKI	Member	
Ms GEORGIEVA	Member	
Mr OETTINGER	Member	
Mr HAHN	Member	Items 11 (in part) to 13
Ms HEDEGAARD	Member	
Mr FÜLE	Member	
Mr ANDOR	Member	Items 11 (in part) to 13
Mr CIOLOŞ	Member	

Absent:

Mr KALLAS	Vice-President
Mr PIEBALGS	Member
Ms GEOGHEGAN-QUINN	Member
Ms MALMSTRÖM	Member

The following sat in to represent absent Members of the Commission:

Mr FITCH	Deputy Chef de cabinet to Mr KALLAS	Items 11 (in part) to 13
Mr LATRICHE	A member of Mr PIEBALGS's staff	
Mr BELL	Chef de cabinet to Ms GEOGHEGAN-QUINN	
Ms ÅSENIUS	Chef de cabinet to Ms MALMSTRÖM	

The following also sat in:

Mr FRUTUOSO DE MELO	Deputy Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr DOENS	Head of the European Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	Items 11 (in part) to 13 (in part)
Mr SCHINAS	Bureau of European Policy Advisers	
Mr SOBRAL	A member of the PRESIDENT's staff	Item 13
Mr PESONEN	Chef de cabinet to Mr REHN	Item 11 (in part)
Ms CHRISTOPHIDOU	Deputy Chef de cabinet to Ms VASSILIOU	Item 11 (in part)
Mr HILL	A member of Ms VASSILIOU's staff	Items 12 and 13
Mr LEMAÎTRE	Chef de cabinet to Mr LEWANDOWSKI	Items 1 to 12
Mr VIS	Chef de cabinet to Ms HEDEGAARD	
Mr DELBEKE	Director-General, DG Climate Action	

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

1. AGENDAS
(OJ(2010)1919/3; SEC(2010)602/2)

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(2010)1919)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Tuesday 25 May.

3. APPROVAL OF THE MINUTES AND SPECIAL MINUTES OF THE 1916TH MEETING OF THE COMMISSION (4 MAY) AND THE MINUTES OF THE 1917TH MEETING (9 MAY)
(PV(2010)1916; PV(2010)1916, PART II; PV(2010)1917 AND /2)

The Commission approved the minutes of its 1916th and 1917th meeting, and decided to hold over for one week approval of the minutes of its 1918th meeting.

4. MONITORING THE APPLICATION OF EUROPEAN UNION LAW

STATE AID – INDIVIDUAL CASES
(SEC(2010)656/2)

The Commission adopted the decisions in SEC(2010)656/2.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2010)604 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 10 and 23 May.

5.2. EMPOWERMENT (SEC(2010)605 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 10 and 21 May and on 4 and 7 May.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2010)606 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 10 and 21 May, as archived in e-Greffe.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2010)607 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 25 and 28 May and of the 'finalisation' written procedures initiated following the weekly meeting of Chefs de cabinet on 25 May.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2010)603/2)

ADMINISTRATIVE MATTERS
(PERS(2010)60)

6.1. DG ENERGY – APPOINTMENT OF AN AD15 DIRECTOR

The Commission took note of the information at point 1 of PERS(2010) 60 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr OETTINGER, decided under Article 7 of the Staff Regulations to fill the post of Director, 'New and Renewable Sources of Energy, Energy Efficiency and Innovation', in the Directorate-General for Energy by transferring in the interest of the service Ms Marie DONNELLY, an AD15 official and currently Director, 'Resources, Communication', in the Directorate-General for Employment, Social Affairs and Equal Opportunities.

This decision would take effect on 16 July 2010.

6.2. DG ENLARGEMENT – INTERNAL (GRADE AD15/16) AND EXTERNAL (GRADE AD15, EU-27) PUBLICATION OF VACANCY NOTICE FOR AN ADVISER HORS CLASSE (PERS(2010)62)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr FÜLE, the Commission decided to authorise the publication, under

Articles 29(1)(a)(i) and (iii) and 29(2) of the Staff Regulations, of the vacancy notice in PERS(2010) 62 for the post of Adviser hors classe in the Directorate-General for Enlargement.

This decision would take effect immediately.

6.3. DG EXTERNAL RELATIONS - COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT ON THE ESTABLISHMENT OF AN EU DELEGATION TO THE UN IN GENEVA (COM(2010)287 AND /2)

The Commission noted the information at point 3 of PERS(2010)60 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Baroness ASHTON, approved the communication in COM(2010)287 for transmission to Parliament and the Council.

6.4. DG EXTERNAL RELATIONS – CHANGE TO THE ORGANISATION CHART OF THE EU DELEGATION IN GENEVA

The Commission took note of the information at point 4 of PERS(2010)60 and, on a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Baroness ASHTON:

– approved the proposal to split the current EU Delegation in Geneva into two separate delegations : a new EU Delegation to the United Nations, responsible solely for relations with the UN, would be created alongside the existing Delegation, which would be responsible for relations with the WTO;

– approved the abolition of the post of Deputy Head of Delegation and the creation of the post of Head of the new Delegation to the UN at Director level or equivalent (AD14/15);

– decided to maintain the current post of Head of Delegation at Director-General level or equivalent (AD15/16);

- authorised the PRESIDENT, Baroness ASHTON and Mr ŠEFČOVIČ to have the post published internally and among the institutions, along with a call for expressions of interest, to finalise the text of the vacancy notice and to determine the composition of the selection boards.

The Commission also took note of the cancellation of the ongoing selection procedure for the Deputy Head of Delegation post.

These decisions would take effect on 1 June 2010.

7. RECOMMENDATION FROM THE COMMISSION TO THE COUNCIL TO AUTHORISE THE OPENING OF NEGOTIATIONS FOR AN AGREEMENT BETWEEN THE EUROPEAN UNION AND THE UNITED STATES OF AMERICA ON PROTECTION OF PERSONAL DATA WHEN TRANSFERRED AND PROCESSED FOR THE PURPOSE OF PREVENTING, INVESTIGATING, DETECTING OR PROSECUTING CRIMINAL OFFENCES, INCLUDING TERRORISM, IN THE FRAMEWORK OF POLICE COOPERATION AND JUDICIAL COOPERATION IN CRIMINAL MATTERS
(COM(2010)252 TO /4; SEC(2010)626)

The Commission adopted the recommendation to the Council in COM(2010)252/4, for transmission to the Council.

8. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE EUROPEAN CENTRAL BANK - BANK RESOLUTION FUNDS
(COM(2010)254 TO /4; SEC(2010)635)

The Commission approved the communication in COM(2010)254/4 for transmission to Parliament, the Council, the Economic and Social Committee and the European Central Bank, and, for information, to the national parliaments.

9. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING COUNCIL REGULATION (EC) NO 732/2008 APPLYING A SCHEME OF GENERALISED TARIFF PREFERENCES FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2011

(COM(2010)142 TO /7; SEC(2010)446; SEC(2010)651)

The Commission adopted the proposal for a Regulation set out in COM(2010)142/6 for transmission to Parliament and the Council and, for information, to the national parliaments.

10. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS - MORE OR LESS CONTROLS? STRIKING THE RIGHT BALANCE BETWEEN THE ADMINISTRATIVE COSTS OF CONTROL AND THE RISK OF ERROR

(COM(2010)261 TO /3; SEC(2010)640; SEC(2010)641; SEC(2010)642)

The Commission approved the communication set out in COM(2010)261/3, for transmission to Parliament, the Council and the Court of Auditors and, for information, to the national parliaments, together with the staff papers distributed as SEC(2010)640 and SEC(2010)641, the contents of which were noted.

11. INTERINSTITUTIONAL RELATIONS

(SEC(2010) 614)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Wednesday 12 May (SEC(2010)614).

It paid particular attention to the following points.

11.1. LEGISLATIVE MATTERS

i) Action to be taken on Parliament's legislative opinions
(SP(2010)3040)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and Mr ŠEFČOVIČ and, if necessary, with the other Members concerned, to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2010)3040, drawn up following the May II part-session of Parliament, the contents of which were noted.

ii) Ordinary legislative procedure
(point 1.2.1 of the record)

Preparation of agreement at first reading

– Reporting formalities for ships arriving in and/or departing from ports of the Member States of the Community (Directive) – STERCKX report– 2009/0005(COD)

The Commission authorised Mr KALLAS to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in SPI(2010)27.

iii) Preparation for the May II part-session of Parliament
(point 1.3 of the record)

Ordinary legislative procedure – Codecision – 1st reading

– Organisation of the working time of persons performing mobile road transport activities (Directive) – BAUER report – 2008/0195 (COD)

The Commission approved the line set out in SP(2010)1555.

11.2. RELATIONS WITH THE COUNCIL

iv) Programming of Council business
(SI(2010)152)

The Commission took note of the information in SI(2010)152 on the Council meetings between 27 May and 9 June.

v) Results of the meeting of the task force on economic governance (for an improved crisis resolution framework and better budgetary discipline) (Brussels, 21 May 2010)

Mr REHN began by summarising the economic situation in Europe following the recent turbulence on the financial markets in the euro area. The most important question was what effect this state of affairs would have on economic recovery, which he felt was still fragile although there were signs of movement in the right direction, especially in industrial orders. Against this background it was all the more important to push forward with budgetary consolidation and structural reform in the Member States, to improve the coordination of economic policies, and to complete the measures to reform the financial sector.

He then reported on the first meeting of the task force on an improved crisis resolution framework and better budgetary discipline, chaired by Mr Herman Van Rompuy, which was held on 21 May in Brussels in a constructive atmosphere and with a firm determination to continue to improve the coordination of economic policies in Europe. The proposals made by the Commission in its Communication of 12 May had been well received, especially the two key elements of strengthening the stability and growth pact and correcting the macroeconomic imbalances and competitiveness gaps, and the call for greater incentives to abide by the rules of the pact, especially in relation to the debt criterion.

He referred to a number of other ideas discussed by the task force, including the setting up of an independent budgetary surveillance body (in which connection he said he had reminded the task force of the Commission's role under the Treaty) and the creation of a coordinating group made up of the Presidents of the European Council, the Eurogroup, the Commission, the Economic and Financial Affairs Council and the European Central Bank.

The task force's interim report was expected to be ready by June, in time for the Economic and Financial Affairs Council on 7 June, and the final report was due in October. The Commission's work should accordingly be speeded up so that its proposals on the coordination of economic policies could be presented as soon as possible.

The meeting had been followed by a short meeting of the Eurogroup to discuss the introduction of the special purpose vehicle created as part of the European stabilisation mechanism intended to preserve financial stability in Europe.

The Commission then held an in-depth discussion in which the following aspects in particular were raised:

– recognition of the large amount of work carried out by the Commission, and especially by the PRESIDENT and Mr REHN, to maintain the Commission's leading role, particularly during recent weeks, in responding to the crisis and in strengthening economic governance;

– a number of concerns nonetheless in relation to the ideas for the creation of new intergovernmental bodies; the importance of maintaining the institutional balance and preserving the Community dimension; the coherent image of the Union and the credibility of its policies;

– the importance of constructive cooperation with the Presidents of the European Council, the Eurogroup and the European Central Bank, among others, in keeping with the powers of the different bodies, to form a united front to tackle the economic and financial crisis, specifically as regards budgetary surveillance and the coordination of economic policies;

- a reminder of the Commission's essential role as guardian of the treaties and the stability and growth pact, and the resulting need for the Commission to adopt a united and resolute position on this matter and to provide the appropriate guarantees of credibility in order to restore market confidence;

- the importance of acting with resolve to ensure that the stability and growth pact was complied with and to introduce the necessary budgetary and structural reforms;

- the need not to limit the response to the crisis to austerity measures alone, but to include measures to support employment and the resumption of growth, and to establish a dialogue with the social partners;

- the advantage of committing to simple rules and concrete measures, accompanied by a timetable, in order to deliver a clear political message and put an end to the persistent uncertainties in the markets;

- the role Members of the Commission could play in conveying these messages to the various Member States.

Mr REHN said that he shared the Commission’s concern regarding the importance of respecting the institutional balance and cooperating fully with the other institutions to avoid undermining the EU’s power to make decisions. He commented on the worrying trend of recent years towards a resurgence of intergovernmental mechanisms; this trend should be countered by ensuring that the Commission’s proposals on the strengthening of economic policy coordination were adopted in readiness in particular for the European Council in June. He asked the Members of the Commission to spread the political message on the role of the Commission and the importance of preserving the Community method.

He said that measures had already been taken within the Commission to strengthen its capacity for budgetary surveillance and that proposals were currently being prepared on budgetary consolidation ready for the Eurogroup meeting scheduled for 7 June in Luxembourg in advance of the June European Council meeting.

He recapped the basic elements of the measures to be taken, namely a faster pace of budgetary consolidation which nevertheless took account of the differing situations in the Member States, proposals on the regulation of the financial markets, and the encouragement that should be given to the Member States in implementing structural reforms in order to relaunch growth.

The PRESIDENT then drew attention to the changes that had taken place in the last few years – if not in the last few months – as regards acceptance of a number of Commission proposals on matters such as budgetary consolidation in Europe, structural reforms and the strengthening of economic governance, as well as the reduction of macroeconomic imbalances.

He was proud of the role played by the Commission in the crisis, since its suggestions had for the most part been accepted, especially as regards support for Greece and subsequently for the euro area as a whole. However, he acknowledged the constraints under which the Member States were operating, in terms both of the financial decisions which fell within their authority and their national political backgrounds.

He then returned to the Commission's role of preserving the financial stability of Europe – a role which was specifically guaranteed by the institution's independence. This mission was enshrined in the treaty and the Commission could make use of all available instruments in the performance of its role of guardian of the treaties.

He stressed the importance of establishing constructive and honest cooperation with the other European institutions, with due regard for their respective powers and within the framework established by the treaty, in order to respond to the current situation as effectively as possible in terms of substance and quality, while at the same time improving communication.

He spoke again of the right of initiative of the Commission, which now had to submit tangible and high-quality proposals in the fields of coordination of economic policies and budgetary surveillance, the regulation of the financial markets and, more generally, as part of the Europe 2020 strategy.

He called on the Members of the Commission to help to get reasonable proposals accepted, so that the Commission could continue to be the voice of responsibility and independence in the crisis, and he said that channels of communication would be prepared for the purpose.

Finally, he paid tribute to the very large amount of work done by Mr REHN and the Directorate General for Economic and Financial Affairs, and by Mr BARNIER and the Directorate General for the Internal Market and Services.

The Commission took note of this information.

vi) Preparation of Council meeting (Competitiveness) (Brussels, 25 and 26 May)

– Participation by the European Union in a Joint Baltic Sea Research and Development Programme (BONUS-169) undertaken by several Member States (Decision) – 2009/0169(COD)

The Commission approved the line set out in SPI(2010)28.

– Harmonised conditions for the marketing of construction products (Regulation) – NERIS report – 2008/0098(COD)

The Commission approved the line set out in SPI(2010)29/2.

vii) Preparation of COREPER II meeting (27 May)

– Right to interpretation and translation in criminal proceedings (Directive) – LUDFORD report – 2010/0050(COD)

The Commission approved the line set out in SI(2010)149.

11.3. RELATIONS WITH PARLIAMENT

viii) Results of May II part-session
(SP(2010)2983 to /3)

The Commission took note of the information in SP(2010)2983 to /3 on the proceedings of the part-session of Parliament held in Strasbourg from 17 to 20 May.

12. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE FINANCIAL REGULATION APPLICABLE TO THE GENERAL BUDGET OF THE EUROPEAN UNION (RECAST)
(COM(2010)260 TO /4; SEC(2010)639 AND /2; SEC(2010)642)

Introducing the proposal, the PRESIDENT stressed that this initiative was expected to have benefits not only for the modernisation of financial procedures in Commission departments but also for the implementation of the various EU policies. He pointed to the main objectives of the proposal, in particular simplification of the rules laid down in the Financial Regulation and its implementing rules, greater transparency for grant recipients, the introduction of new features designed to make better use of available funds in budget management and implementation, as well as better checks on spending with a view to obtaining a positive statement of assurance (DAS) for all the European Union's activities and securing the discharge from the European Parliament and the Council.

He mentioned the introduction of new rules on public-private partnerships aimed at broadening the scope of cooperation between the two sectors and the possibility of setting up trust funds in order to increase the visibility of certain external actions, in particular crisis-response measures, humanitarian aid and thematic development.

Another proposal was to introduce a level of tolerable risk of error adapted to the specific nature of each policy area. This matter could be discussed in more detail at the next meeting between the Commission and the Court of Auditors, the President of which had already made a recommendation to that effect. Lastly, the PRESIDENT thanked Mr LEWANDOWSKI and the departments under his responsibility for their excellent work.

Mr LEWANDOWSKI presented the proposal for a Regulation, which was part of the triennial recasting exercise provided for in Article 184 of the Financial Regulation. The Commission was now proposing that this provision be repealed to allow more flexibility in future adjustments to the Regulation. He also referred to the recent amendments to the Financial Regulation and its implementing rules arising from the entry into force of the Lisbon Treaty and work on preparing the European External Action Service.

Mr LEWANDOWSKI thanked the Members of the Commission, the Legal Service and all the other departments involved for their excellent cooperation in preparing the initiative, which was based on contributions made by stakeholders during a public consultation held by the Commission.

He then returned to the key points of the proposal, stressing in particular the increased focus on performance-based management, the simplification of procedures - while upholding the principles of sound financial management and improving the Commission's financial accountability - and the creation of additional scope for mobilising funds through mixed financing, in particular multi-donor trust funds and public-private partnerships.

He noted that pre-financing played an important role in measures funded by the European Union, but involved a high degree of risk, a problem which had also been raised by the European Parliament and the Court of Auditors. Because of this high level of risk, tighter supervision measures were needed right now, well before the new Financial Regulation and implementing rules entered into force, which would not happen until 2012.

He therefore proposed that the Commission instruct its departments - by means of a statement to be recorded in these minutes – to analyse the situation regarding pre-financing in the different sectors and to take or propose corrective measures where necessary.

It was also important not to envisage any sectoral derogations from the rules laid down in the Financial Regulation and to ensure that any future Commission proposal involving sector-specific rules complied with the principles and rules set out in the present legislative proposal.

A brief discussion then took place, during which the Commission expressed broad support for the proposal and raised the following points in particular:

– the balanced nature of the proposal, which covered the simplification of procedures while at the same time stressing the principle of accountability;

– the importance of pursuing efforts to further improve the results of controls in order to obtain a positive DAS for all the Commission's fields of activity;

– the need for the proposed innovations to ensure effective implementation of projects in the research field;

– the case for developing a specific sectoral approach in relation to Galileo;

– the usefulness of trust funds for EU action on the international front, in particular to ensure coordination with a large number of other donors in crisis-response projects, both for the sake of the effectiveness of the measures in question and in order to increase the EU's visibility in such projects.

Winding up the discussion, the PRESIDENT noted the broad support for the proposal for a Regulation and for the principle of strict financial management. He noted that this dossier was important for the Commission's relations with the other institutions, which regarded application of the principles of sound financial management as a priority; this was particularly true of the European Parliament.

He urged the Members of the Commission to continue to monitor budget implementation very closely, together with their departments, and noted the support expressed by the Commission for particular attention to be paid to the follow-up of pre-financing measures. The Commission agreed on the following statement proposed by Mr LEWANDOWSKI:

"*The Commission instructs the Accounting Officer to analyse the situation regarding pre-financing in the different sectors and take or propose adequate corrective measures within the current financial rules that services shall implement within a reasonable time period. The objective is to both better reflect, during the year, the actual spending under accrual accounting principles, and to identify at an earlier stage potential difficulties with ongoing actions.* ".

He also noted the Commission's agreement that the principles of sound financial management set out in this proposal for a revision of the Financial Regulation should also be applied in the sectoral proposals for implementing the next multiannual financial framework, to be laid before the Commission in 2011.

Following this exchange of views and having taken note of the above statement and the PRESIDENT's conclusions, the Commission adopted in principle the proposal for a Regulation on the Financial Regulation applicable to the general budget of the European Union set out in COM(2010)260/4.

It also decided to empower Mr LEWANDOWSKI, Member of the Commission with responsibility for the budget and financial programming , to finalise and formally adopt the above proposal for a Regulation, in agreement with the PRESIDENT, and to transmit it to the European Parliament, the Council, the Court of Justice of the European Union, the Court of Auditors, the Economic and Social Committee, the Committee of the Regions, the European Ombudsman and the European Data Protection Supervisor and, for information, to the European Central Bank, the European Investment Bank and the national parliaments, together with the Commission staff paper in SEC(2010)639/2, the contents of which were noted, subject to final legal and linguistic revision.

13. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS: ANALYSIS OF OPTIONS TO MOVE BEYOND 20% GREENHOUSE GAS EMISSION REDUCTIONS AND ASSESSING THE RISK OF CARBON LEAKAGE (COM(2010)265 TO /4; SEC(2010)650 TO /3, PARTS I AND II; SEC(2010)512; SEC(2010)652)

Ms HEDEGAARD presented the communication she was referring to the Commission for adoption, pointing out that it followed on from the commitment made by the Commission in March in its communication on international climate policy post-Copenhagen, and was, at the same time, a response to the obligation laid down in the Directive on the emissions trading scheme to monitor the question of carbon leakage.

This document was being presented against the background of a tough economic context; however it did not make any proposals or formal recommendations, its aim being solely to pave the way for a properly-documented debate on the arrangements for and consequences of a potential move to the target of a 30% reduction in emissions. Climate policy could in fact contribute to the strategy to tackle the crisis.

Ms HEDEGAARD thanked the other Commission Members for their participation in this exercise, underlining the fact that a number of them could be involved in the end result.

On an international level, the EU's conditional offer to move to a 30% target dated back to 2007. European credibility would be undermined should this target be dropped. The EU had adopted a unique position in relation to the Kyoto commitments, and this had had a knock-on effect on the main international partners which had gradually adopted emission reduction targets also.

Briefly referring to the analysis in the communication of the falling cost of achieving the 20% target because of the recession and the outlook for the carbon price, Ms HEDEGAARD said that various possible ways of achieving the 30% target were described in the communication.

The next steps would be an informal discussion at the Environment Council meeting in June, and a debate by the Commission, which would, in her view, be necessary before the Cancún summit.

She ended by welcoming the fact that, in presenting this communication, the Commission had honoured its commitments while at the same time keeping all options open.

The PRESIDENT underlined the importance of the communication, which objectively assessed the potential costs and benefits, if all the conditions were met, of a reduction by the EU of over 20% of its greenhouse gas emissions, together with the situation of energy-intensive sectors which were thought to be exposed to specific carbon-leakage risks. While the communication did not at all change the European position in this domain and did not prejudge any decisions to be taken subsequently, it allowed the EU to maintain room for manoeuvre and preemption so that it did not simply have to react to events.

Recalling the Copenhagen negotiations and results, the PRESIDENT reiterated the fact that the switch to a 30% target could not be decided without discussing this with Member States and without examining all the implications specifically and in detail. The Commission's role was to prepare the EU's positions irrespective of current or future international negotiations.

The PRESIDENT observed, however, that it was important to take account of the current economic and financial situation, in particular as regards the lack of cash resources, the difficulty facing European businesses because of reduced investment and modernisation capacities, and the gloomy economic situation in several Member States. The proposed text struck a very satisfactory balance between the requirements of the fight against climate change and the need to take account of the consequences of the crisis and the financial difficulties of European companies. Each Commission Member should, when tabling future measures and proposals, take particular account of their economic and financial dimension and actual impact on citizens and companies.

It was important to ensure appropriate communication arrangements for this matter, and regrettable that the content of the initial, unofficial versions, which did not reflect the Commission's views, had been leaked to certain parties outside the institution.

Lastly, the PRESIDENT thanked Ms HEDEGAARD for her commitment and collegial spirit, saying that he was convinced that she could get the right message across regarding this communication.

The Commission then held an exchange of views during which, in addition to unanimous support for the communication and recognition of the balance achieved, the following points were raised:

– the case for presenting policy options in advance, in the context of the international negotiations in progress, and the fact that this kind of preparation had been lacking upstream of the Copenhagen conference;

– at the same time, recognition that the tough economic background to this communication was not very conducive to discussing the arrangements for and implications of a shift to a 30% target;

– the importance of keeping the lead set by the EU and its ability to exert a knock-on effect on its international partners;

– at the same time, the fundamental question of carbon leakage for the competitiveness of European businesses and the difficulty for some sectors in particular to agree to consider the 30% target during a recession;

– the need for an in-depth analysis of the specific consequences to be expected for each sector and sub-sector, Member State, region, etc.;

- the importance, however, of not underestimating the economic development potential which might also underlie this challenge, in particular in terms of energy efficiency;

- since climate change efforts would have to be long-term, the need for the different economic sectors to take account of this target in their operations and to draw benefit from it, and the case for coordinating the approach within the Commission;

- the role that could be played by taxation in encouraging certain types of behaviour and supporting the most environment-friendly products and services, and a question about the possibilities available in terms of value added tax (VAT); the role also played by state aid policy;

- the reminder of the forthcoming policy debate on the taxation of energy; the inappropriateness at this stage of a debate on a border tax adjustment mechanism to combat carbon leakage; the complexity of a VAT-based approach and the need to explore other solutions;

- the importance of establishing contact with the new management of the United Nations Framework Convention on Climate Change;

- the need to urge international partners to move forward, and in particular to underline European expectations regarding emission reductions in the general context of international negotiations, in response to any request from the EU's partners;

- regret about the damage caused by the leaking of parts of the communication when it was still at the preliminary draft stage, and the communication efforts to be made as a result in order to convey the right message;

- in particular, the importance of clearly stating that this communication did not put forward any specific proposals, and that it reiterated the conditions attached to the 30% target.

Ms HEDEGAARD thanked the Commission Members for their comments and contribution to the discussion on this communication. She pointed out that the communication was merely an analysis of the options, and was in response to a specific request by the Council. She was in favour of an analysis by Member State and economic sector, which would be the next stage of the work.

While reiterating that a decision in support of a 30% reduction in emissions by the environment ministers next June was not on the agenda, she did not rule out the possibility that the Council might ask the Commission to analyse certain aspects of the subject in greater detail.

The PRESIDENT thanked Ms HEDEGAARD and welcomed the consensus reached on the main item on the Commission's agenda. While recognising the difficulties caused by the economic situation, it was important for the Commission to continue to take the initiative in this matter.

He underscored the collective work done in this area, which must be continued with the Member States. As an international negotiator, the Commission must obtain the Member States' backing for the positions to be defended by the European Union.

The PRESIDENT then concluded the discussion, noting the Commission's support for the communication and its agreement to make the following amendments to the English version of COM(2010)265/4:

– **the second sentence in the fourth paragraph in the subsection *"The economic crisis and the challenge of meeting the 20% target"* (page 3) should read as follows:**

  "Today, the analysis also takes account of the recession [footnote No 6]*"*;

  and footnote No 6 should read as follows:

  "In the analysis presented in 2008, EU GDP over the period 2005-2020 was assumed to grow yearly at an average rate of 2.4%. In this updated analysis, this average yearly growth over the same period has decreased to 1.7%. For more information see table 4 of Part II of the Staff Working Document

(SEC(2010)650/2) accompanying this Communication."

- **The second sentence in the second paragraph in chapter 2 (page 4)** (***"The 20% target today")*** **should read as follows:**

  "*Through meeting the renewables target and energy efficiency measures already under way, appropriate incentives will be required to meet the overall EU target of a 10% reduction compared to 2005 for the sectors not covered by the ETS.*";

- **In Section 3.1 (*"Possible options to reach the 30% target"*), the first and second sentences in the paragraph *"Recalibrating the ETS by 'setting aside' a share of the allowances planned for auction"* (page 6) should read as follows:**

  "*Should a political decision be taken to increase the emission reduction target, the ETS could make its main contribution to a stepped up target through a gradual reduction of the allowances auctioned. A tighter ETS cap would raise the level of environmental achievement and would have the effect of strengthening the incentive effect of the carbon market.";*

- **Also in section 3.1 (page 6) (*"Possible options to reach the 30% target"*), the paragraph in the subsection *"Technological options"* should read as follows:**

  "*Regulation can contribute to reaching more ambitious climate targets, particularly by encouraging energy and resource efficiency. This can come through product standards, such as the measures taken under the Eco-design Directive* [footnote No 13] *and limits of CO_2 emissions from vehicles* [footnote No 14], *and implementation of the Digital Agenda* [footnote No 15]. *Smart grids can help change consumer behaviour, increase energy efficiency and enable a higher penetration of renewable energy. Smart meters for example, have been estimated to pay for themselves in less than 4 years through increased productivity, as a result of increased customer awareness and energy price signals.";*

and footnote No 15 should read as follows:

"COM(2010)245 final."

– **the second paragraph in Chapter 4 (page 4) (*"Assessing the risk for carbon leakage"*) should read as follows:**

"*The fact that the carbon price has been lower than originally foreseen has consequences for the carbon leakage debate. In addition, due to the fall in emissions, energy-intensive sectors already in the ETS before 2013 are likely to end up with a very considerable number of unused freely allocated allowances at the end of the second period of the ETS in 2012, which can be carried over into phase three (2013-2020). This will put them into a comparatively better position when facing international competition compared with 2008 estimations."*;

– **the fourth paragraph in Chapter 4 (pages 10 and 11) (*"Assessing the risk for carbon leakage"*) should read as follows:**

"*Impacts of EU's 20% target, when others implement their low pledges, are estimated to be less than 1%, with the organic chemicals, inorganic chemicals and fertiliser sectors hardest hit with production losses of respectively 0.5%, 0.6% and 0.7%. Only the sector "other chemicals" has an even higher impact of 2.4%. Compared to the EU's unilateral implementation of the 20% target, some EU energy-intensive sectors would actually be in a slightly better position, while for other sectors it would make no difference at all. Given the uncertainties related to the actual implementation of the Copenhagen Accord, the Commission considers that the measures already agreed to help energy-intensive industries – free allocation and access to international credits – remain justified at present.*"

Subject to the introduction of these amendments and to final linguistic revision, the Commission approved the communication set out in COM(2010)265/4 for transmission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments, together with the staff papers distributed as SEC(2010)650/2 (Part I) and SEC(2010)650/3 (Part II), the contents of which were noted.

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The meeting closed at 12.39 hours.