EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2015) 2117 final

- English language version of the French text which is authentic -

Brussels, 18 March 2015

TEXTE EN

MINUTES

of the 2117th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 25 February 2015

(morning and afternoon)

PV(2015) 2117 final

- English language version of the French text which is authentic -

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<u>First sitting</u>: Wednesday 25 February 2015 (morning)

The sitting opened at 9.15 with Mr JUNCKER, President, in the chair. Item 11 was chaired in part by Mr TIMMERMANS.

<u>Present</u>:

Mr JUNCKER	President	Items 1 to 11 (in part)
Mr TIMMERMANS	First Vice-President	
Ms MOGHERINI	High Representative/ Vice-President	
Mr ANSIP	Vice-President	
Mr ŠEFČOVIČ	Vice-President	Items 1 to 11 (in part)
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	
Ms MALMSTRÖM	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	
Mr STYLIANIDES	Member	
Mr HOGAN	Member	
Ms BULC	Member	
Ms BIEŃKOWSKA	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	
Ms VESTAGER	Member	
Mr MOEDAS	Member	

<u>Absent</u>:

Ms GEORGIEVA	Vice-President
Mr HAHN	Member
Mr MIMICA	Member
Lord HILL	Member

The following sat in to represent absent Members of the Commission (morning and afternoon):

Ms HRISTCHEVA	Chef de cabinet to Ms GEORGIEVA
Mr KARNITSCHNIG	Chef de cabinet to Mr HAHN
Mr BEHRNDT	Chef de cabinet to Mr MIMICA
Mr BALDWIN	Chef de cabinet to Lord HILL

The following also sat in (morning and afternoon):

Mr SELMAYR	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PAULGER	Director-General, DG Communication	
Mr SCHINAS	Head of the Spokesperson Service and Chief Spokesperson of the Commission	
Ms METTLER	Head of the European Political Strategy Centre	
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Mr THOLONIAT	A member of the PRESIDENT's staff	
Mr NOCIAR	Chef de cabinet to Mr ŠEFČOVIČ	Items 1 to 9, and 11 (in part)
Mr LAHTI	Chef de cabinet to Mr DOMBROVSKIS	
Mr HAGER	Chef de cabinet to Mr OETTINGER	Item 11 (in part)
Mr VINČIŪNAS	Chef de cabinet to Mr ANDRIUKAITIS	Item 11 (in part)
Mr BAILLY	Chef de cabinet to Mr MOSCOVICI	
Mr HEDBERG	Chef de cabinet to Ms BIEŃKOWSKA	Item 11 (in part)
Ms BREIDTHARDT	Spokesman's Service	

Mr BUTI	Director-General, DG Economic and Financial Affairs

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

The PRESIDENT paid tribute to the victims of the shooting in a restaurant in the town of Uhersky Brod in the south-east of the Czech Republic.

On behalf of the Commission and in his own name, the PRESIDENT extended his sincere condolences to the families and friends of the nine victims.

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1. AGENDAS
(OJ(2015) 2117/FINAL; SEC(2015) 102/2)

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

2. WEEKLY MEETING OF CHEFS DE CABINET
(RCC(2015) 2117)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 23 February.

3. APPROVAL OF THE MINUTES OF THE 2116TH MEETING OF THE COMMISSION (18 FEBRUARY)

The Commission held over approval of the minutes of its 2116th meeting for the following week.

4. MONITORING THE APPLICATION OF EUROPEAN UNION LAW

STATE AID AND OTHER COMPETITION RULES
(SEC(2015) 110 TO /3; RCC(2015) 17)

The Commission's decision on this item is recorded in the special minutes.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED
(SEC(2015) 103 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 16 and 20 February.

5.2. EMPOWERMENT
(SEC(2015) 104 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 16 and 20 February.

5.3. DELEGATION AND SUBDELEGATION OF POWERS
(SEC(2015) 105 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 16 and 20 February, as archived in Decide.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2015) 106 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 23 and 27 February and of the finalisation written procedures initiated following the weekly meeting of Chefs de cabinet on 23 February.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2015) 107)

ADMINISTRATIVE MATTERS
(PERS(2015) 19)

6.1. DG JUSTICE AND CONSUMERS – APPOINTMENT OF AD15 DIRECTOR

On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Ms JOUROVÁ and Mr TIMMERMANS, Mr DOMBROVSKIS and Mr KATAINEN, the Commission decided to fill the post of Director, 'Criminal Justice', in DG Justice and Consumers, by transferring in the interest of the service under Article 7 of the Staff Regulations, Mr Francisco FONSECA MORILLO, an AD15 official and currently Head of the European Union Representation in Spain (Madrid), to DG Communication.

This decision would take effect on 16 March 2015.

6.2. DG HEALTH AND FOOD SAFETY – EXTENSION OF TERM OF OFFICE OF THE DIRECTOR OF THE CONSUMERS, HEALTH, AGRICULTURE AND FOOD EXECUTIVE AGENCY

On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and after consulting Mr ANDRIUKAITIS and Mr KATAINEN, the Commission decided:

- to extend, until the end of 2015, the term of office of Mr Luc BRIOL as Director of the Consumers, Health, Agriculture and Food Executive Agency (CHAF-EA) in Luxembourg;

- to extend the secondment of Mr Luc BRIOL in the interests of the service, under Articles 37 and 38 of the Staff Regulations, to the Consumers, Health, Agriculture and Food Executive Agency (CHAF-EA) for the duration of his extended term of office with a view to exercising these functions as a member of the temporary staff.

These decisions would take effect immediately.

7. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT BANK – A FRAMEWORK STRATEGY FOR A RESILIENT ENERGY UNION WITH A FORWARD-LOOKING CLIMATE CHANGE POLICY

(COM(2015) 80; RCC(2015) 16)

8. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – THE PARIS PROTOCOL – A BLUEPRINT FOR TACKLING GLOBAL CLIMATE CHANGE BEYOND 2020
(COM(2015) 81; SWD(2015) 17; RCC(2015) 16)

9. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – ACHIEVING THE 10% ELECTRICITY INTERCONNECTION TARGET – MAKING EUROPE'S ELECTRICITY GRID FIT FOR 2020
(COM(2015) 82; RCC(2015) 16)

Mr ŠEFČOVIČ presented the communication on a Strategic Framework for the Energy Union, which was drawn up in close collaboration with the project team placed under his authority. He thanked the Commissioners concerned and their departments for making a direct and highly fruitful contribution to this coordination exercise.

This communication, the parameters and content of which had been specified at the Commission's policy debate on 4 February, was not the conclusion but rather the starting point for a lengthy process aimed at making the energy union a reality for all EU citizens and industry. He stressed that it was an ambitious project and what was needed now – and what he intended to do – was to implement the priority actions plan and the roadmap established in the communication as quickly as possible. To this end, he intended to benefit from the strategic 'Jours Fixes' with the active participation of the Commissioners and departments concerned.

Mr ŠEFČOVIČ thanked the PRESIDENT for steering the project and his office for its support. In conclusion, he hoped that the Energy Union would be one of the present Commission's key achievements.

The PRESIDENT thanked Mr ŠEFČOVIČ and the Commission Members on his project team and congratulated them on their outstanding work.

At the end of this presentation, the Commission:

– approved, subject to final linguistic revision, the communication in COM(2015) 80 for transmission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, and, for information, to the national parliaments;

– approved the communication in COM(2015) 81 for transmission to Parliament and the Council and, for information, to the Economic and Social Committee, the Committee of the Regions, the European Investment Bank and the national parliaments, together with the staff working document distributed as SWD(2015) 17, the contents of which were noted;

– approved the communication in COM(2015) 82 for transmission to the European Parliament and the Council and, for information, to the European Economic and Social Committee, the Committee of the Regions, the European Investment Bank and the national parliaments.

10. INTERINSTITUTIONAL RELATIONS (RCC(2015) 14)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 20 February (RCC(2015) 14).

It paid particular attention to the following points.

10.1. HORIZONTAL ISSUES

i) Commission Work Programme 2015 – Withdrawals of pending proposals – Publication of the list of withdrawals in the Official Journal of the European Union
(point 1.1 of the IRG record)

The Commission decided to conclude the 2015 exercise for the withdrawal of pending proposals by confirming its decision to withdraw 73 of the 80 proposals listed in the Annex to its work programme for 2015 adopted on 16 December 2014, and to publish the list of the 73 proposals withdrawn in the Official Journal of the European Union, following the line set out in SI(2013) 65.

10.2. LEGISLATIVE MATTERS

ii) Council dossiers
(point 3.3 of the IRG record)

– Protection of individuals with regard to the processing of personal data and the free movement of such data (Regulation) – ALBRECHT report – 2012/0011 (COD)

The Commission approved the line set out in SI(2015) 60.

– European Fund for Strategic Investments and amending Regulations (EU) 1291/2013 and (EU) 1316/2013 (Regulation) – FERNANDES / BULLMANN report – 2015/0009 (COD)

The Commission approved the line set out in SI(2015) 57/2.

10.3. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

iii) Programming of Council business
(SI(2015) 64)

The Commission took note of the information in SI(2015) 64 on the Council meetings between 26 February and 11 March.

iv) Non-legislative dossiers
(point 4.1 of the IRG record)

– EU-Australia Framework Agreement

The Commission took note of the information in SI(2015) 59.

v) Preparation of the Competitiveness Council (Brussels, 2 and 3 March 2015) – Draft Council Conclusions on Internal Market Policy
(point 4.2.1 of the IRG record)

The Commission approved the line set out in SI(2015) 58.

vi) Outcome of the Eurogroup meeting (Brussels, 20 February 2015)

Mr DOMBROVSKIS reported on the latest developments concerning Greece and noted that on 24 February the Greek Government had presented a list of reforms that it proposed to implement to the Eurogroup, in accordance with the conclusions of the Eurogroup meeting on 20 February. From the Commission's point of view, the list was considered to be sufficiently comprehensive to serve as the basis for a successful conclusion of the review to be carried out after the four-month extension to the current European assistance programme to Greece.

He welcomed the fact that the Greek Government had made a clear commitment to undertake substantive reforms, in particular to combat tax evasion, to honour its debt repayment obligations and not to unilaterally implement measures that would have a negative impact on the achievement of fiscal targets, economic recovery or financial stability in Greece.

He stressed that it was now for the government of Mr Aléxis Tsípras to prepare its detailed general reform programme for validation by the Eurogroup before the end of April. The Commission was willing to continue to provide technical assistance to help the Greek authorities to devise and implement the resulting specific policies.

Mr MOSCOVICI also highlighted the role of facilitator and the efforts made by the Commission to enable the agreement between the Eurogroup and the Greek Government to be concluded on 20 February. He summarised the terms of the agreement, in particular the conditions for the payment of the last tranche of the current programme, i.e. EUR 1.8 billion under the European Financial Stability Facility (EFSF) and EUR 3.5 billion by the International Monetary Fund (IMF), and the possible transfer of the revenue on the Greek government bonds held by the European Central Bank under the Securities Markets Programme (SMP).

Although the agreement concluded under the auspices of the Eurogroup on 20 February had avoided a crisis, there would be plenty of challenges and work in the coming months. The Greek Government would have to act with determination to continue the solid progress made in recent years. The Commission was willing to work closely with the Greek Government, in a spirit of partnership, to prepare a reform programme that would enable Greece to grow, reduce its very high unemployment level, rekindle more social justice and renew hope among its population.

The PRESIDENT thanked Mr DOMBROVSKIS and Mr MOSCOVICI for their presentation and their contribution to the agreement concluded between Greece and the other Member States in the euro area. He also reported on the personal efforts he had made along the same lines. He concluded by sharing his conviction that the Commission had played a decisive political role in achieving a positive outcome, while pointing out that there was still a lot of work to do before the end of April, and then by next June.

The Commission took note of this information.

10.4. RELATIONS WITH PARLIAMENT

vii) Action taken on legislative opinions and non-legislative resolutions adopted by Parliament at its January I and II part-sessions
(point 5.6.2 of the IRG record)

The Commission approved document SP(2015) 66 on the action taken on the legislative opinions and non-legislative resolutions adopted by Parliament at its January I and II part-sessions, for transmission to Parliament.

11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK AND THE EUROGROUP – 2015 EUROPEAN SEMESTER – ASSESSMENT OF GROWTH CHALLENGES, PREVENTION AND CORRECTION OF MACROECONOMIC IMBALANCES, AND RESULTS OF IN-DEPTH REVIEWS UNDER REGULATION (EU) 1176/2011

(COM(2015) 85 AND /2; SWD(2015) 20; SWD(2015) 21; SWD(2015) 22; SWD(2015) 23; SWD(2015) 24; SWD(2015) 25; SWD(2015) 26; SWD(2015) 27; SWD(2015) 28; SWD(2015) 29; SWD(2015) 30; SWD(2015) 31; SWD(2015) 32;

SWD(2015) 33; SWD(2015) 34; SWD(2015) 35; SWD(2015) 36; SWD(2015) 37; SWD(2015) 38; SWD(2015) 39; SWD(2015) 40; SWD(2015) 41; SWD(2015) 42; SWD(2015) 43; SWD(2015) 44; SWD(2015) 45; SWD(2015) 46; SWD(2015) 47; RCC(2015) 15)

The PRESIDENT opened the discussion on the preparation of the next set of measures under the European Semester exercise. He noted that the task was to agree a collective position for the decisions that the Commission would take within its powers relating to economic and budgetary surveillance. The proposals before the College that day were based, in particular, on the Country Reports and included, where applicable, the assessment of macroeconomic imbalances set out in the in-depth reviews carried out by the Commission departments under Regulation (EU) 1176/2011. He highlighted the need to keep the decisions confidential until they were formally adopted, on the basis of the collective position that would emerge from that day's meeting.

Mr DOMBROVSKIS explained that, at that stage of the European Semester, the Commission had to give a view on both the macroeconomic and fiscal situation of the Member States, as provided for in the Annual Growth Survey (AGS) that it had adopted in November 2014. Furthermore, unlike previous exercises, this year the presentation of the 27 country reports and the report for the euro area had been brought forward by several weeks in order to allow a longer period for dialogue with the Member States before the Commission issued the country-specific recommendations (CSR) in May.

He also reminded the meeting that the Annual Growth Survey for 2015 was based on the virtuous triangle of investment, structural reforms and fiscal responsibility. Although he stressed the need for all the Member States to keep to the rules and their commitments, he highlighted the fact that, at the same time, the Commission had to play its role as guardian of the Treaties and ensure the effective application of the rules of European economic governance, which sometimes implied difficult decisions, in particular in the corrective arm of the Stability and Growth Pact (SGP). However, he felt that the credibility of the institution and of the system of European economic governance was at stake.

With regard to the macroeconomic imbalance procedure, Mr DOMBROVSKIS began by making a general reference to the In-Depth Reviews (IDRs) which the AGS had proposed be carried out on 16 Member States. The purpose of these analyses was to assess whether such imbalances existed in the Member State in question and, if so, whether they were excessive; he proposed that the Commission open the macroeconomic imbalances procedure for 2 of the 16 Member States concerned, namely Portugal and Romania, step up the procedure for three others - Germany, France and Bulgaria - and loosen the procedure for Slovenia.

Secondly, as regards the fiscal results of the Member States, he described the individual cases of a number of Member States in order to illustrate the diversity of the factors taken into consideration in the analyses, thereby taking account of the specific features of each country, while ensuring equal treatment between all Member States. In certain, very specific situations, the Commission was applying for the first time the interpretation that it had codified in its communication of January entitled 'Making the best use of the flexibility within the existing rules of the Stability and Growth Pact'.

It was on this twofold basis – analysis of the macroeconomic imbalances and budgetary imbalances – that Mr DOMBROVSKIS was asking the Commission to consider the approach outlined in the main communication. He presented a number of technical aspects of the analysis methods applied by the Commission to obtain a clear picture of the fiscal and macroeconomic situation of the Member States of the euro area and of the EU as a whole.

With regard to the strictly macroeconomic aspects, he cited the examples of

Belgium and Italy, both of which had submitted a detailed national reform programme comprising structural reforms which had already been implemented and a timetable for adopting and implementing other measures. While not in favour of increasing the level of monitoring of these two Member States under the macroeconomic imbalances procedure, he stressed that the Commission would continue to monitor the implementation of the reforms announced.

Adding the budgetary dimension to these aspects, Mr DOMBROVSKIS mentioned, on the one hand, Member States whose fiscal situation and ongoing and future structural reform programmes had led the Commission to refrain from launching a new phase of the excessive deficit procedure and, on the other hand, Member States for which this measure might be justified in the light of limited progress in implementing country-specific recommendations, delays in presenting national reform programmes, insufficient structural reforms or an imprecise timetable for implementation.

In this context, he raised more specifically the case of France. While the reforms it had announced to the Commission in recent days were certainly a step in the right direction, they might not be sufficient in the light of the specific challenges facing the country. He felt that, on the basis of the analyses carried out, it was not possible to conclude beyond doubt that France had taken effective action and that this finding should be clearly stated in the recommendations. By application of the rules, he therefore envisaged the possibility of recommending, on the one hand, the immediate launch of an excessive macroeconomic imbalance procedure against France – under the corrective arm – and, on the other, a stepping-up of the excessive deficit procedure. However, he did not rule out a medium-term approach, namely to recommend extending the time period so that the French Government could decide on and undertake to implement effective measures, combined with a precise path for correction of its excessive deficit.

He also mentioned Croatia which, shortly after joining the EU, had to implement major structural measures.

Mr MOSCOVICI took the floor and began by presenting the decisions put forward following the conclusion of in-depth reviews under the macroeconomic imbalances procedure that had been carried out for Belgium, France, Italy, Bulgaria, Germany, Ireland, Spain, Croatia, Hungary, the Netherlands, Portugal, Romania, Slovenia, Finland, Sweden and the United Kingdom.

Before dealing with the more complex case of France, he referred to the case of Italy. On the basis of an assessment of that country's structural reform programme, he recommended, as Mr DOMBROVSKIS had indicated, retaining it in the same category and continuing to monitor it closely. He, too, considered that the risks of imbalance with regard to Croatia had increased significantly. He suggested giving it the opportunity to submit an ambitious reform programme. He noted the recommendation to include Bulgaria in the category of states suffering from excessive imbalances as a result of the turbulence affecting its financial sector in 2015. Despite the considerable progress achieved by Portugal under the assistance programme, he regretted the fact that the high level of indebtedness and unemployment justified the country's inclusion in the category of states suffering from excessive macroeconomic imbalances.

Mr MOSCOVICI went on to say that Ireland, Spain, Hungary and Slovenia were experiencing macroeconomic imbalances requiring decisive policy action accompanied by specific monitoring.

In Spain's case, this assessment reflected risks relating to the high levels of private and public sector indebtedness, a worsening net external liability position and very high unemployment, progress in rebalancing the current accounts notwithstanding. The same was true of Ireland which, despite a marked improvement in its economic outlook, remained in the same category in the light of its high levels of private and public-sector indebtedness and high structural unemployment. Few economic improvements were discernible in Hungary, where the high level of public debt, in particular, justified keeping the country in the same category of the macroeconomic imbalance procedure. On the other hand, he welcomed the progress made by Slovenia, where the imbalances were no longer regarded as excessive, demonstrating the effectiveness of the procedure.

Turning to Germany, Mr MOSCOVICI reported that it was now regarded as being in a situation of imbalance requiring decisive policy action. He explained that the country must remedy the continuing insufficient private and public investment, which created an imbalance between saving and investment that was prejudicial to European growth and contributed to a current account surplus which called for careful monitoring.

Mr MOSCOVICI also stated that Belgium, the Netherlands, Romania, Finland, Sweden and the United Kingdom were deemed to be in a situation of macroeconomic imbalance requiring policy action and monitoring.

In the case of Belgium, particular attention needed to be paid to the trend in external competitiveness for certain goods, while in the Netherlands the high level of private debt and the structure of the pension and tax systems could potentially undermine the efficient allocation of capital. In Finland he singled out weak export performance against a background of industrial restructuring, while in Sweden and the United Kingdom the level of household debt remained a cause for concern. He and Mr DOMBROVSKIS recommended keeping these five countries in the same category as last year.

Turning to Romania, he said that, despite significant progress, the serious deterioration in the country's negative net international investment position and its weak medium-term export capacity continued to cause concern, as did the vulnerability of its banking sector. Romania was therefore included under the excessive macroeconomic imbalance procedure for the first time.

Mr MOSCOVICI then turned to the draft recommendations proposed under the Stability and Growth Pact for Finland, Spain and Portugal.

Finland's excess over the 60% GDP reference value was explained solely by its support to financial stability mechanisms in the euro area and, accordingly, the Commission took the view that there were no grounds for launching the excessive deficit procedure.

With regard to Spain, which had been issued with an excessive deficit recommendation calling on it to bring the deficit below 3% in 2016, the February economic forecasts suggested that the headline targets for 2015 and 2016 would not be achieved, or the requisite structural effort completed.

The same applied to Portugal, which had been issued with a recommendation calling on it to bring the deficit below 3% in 2015. There was a risk that Portugal would not be able to comply with this recommendation.

Finally, Mr MOSCOVICI spoke at greater length about the decisions on France's macroeconomic imbalances and budget deficit, which the Commission was being asked to consider.

As regards the country's macroeconomic imbalances, he observed that the reforms undertaken by the French Government to correct the country's macroeconomic imbalances were a step in the right direction, but were not sufficient to remedy the shortcomings and correct the imbalances identified. With regard to the measures envisaged by Mr DOMBROVSKIS for France, he referred to the possibility of stepping the macroeconomic imbalance procedure up a level and considering France to be in a situation of excessive imbalance requiring specific monitoring and decisive policy action. He proposed accompanying these conditions with a rendez-vous clause once the national reform programme had been submitted by the French authorities in April. He felt that only on this basis could the Commission decide, where applicable, to launch an excessive macroeconomic imbalance procedure.

Mr MOSCOVICI explained that France would be unable to achieve the 3% target for the budget deficit in 2015, given that forecasts put the figure at 4.1% in 2015 and 2016 unless action was taken, and the Commission accordingly had to present a new recommendation setting out the path for achieving this target, primarily through a structural effort with effect from 2015. He therefore proposed recommending that France reduce its budget deficit by 0.5% in 2015 instead of the 0.3% envisaged by the French Government. This represented a further correction of 0.2% from May onwards, equivalent to an extra EUR 3 or 4 billion cut in the deficit.

During the discussion which followed, the Commission raised the following main points:

– a reminder that the European system of economic and budgetary governance in the Union was not just a technical exercise but also a political one. Its fundamental aim was not to punish Member States, but to guide and encourage them to pursue or speed up the necessary structural reforms, to consolidate their public finances and to enable them to invest in growth factors, in their own interests, in the interests of the euro area and, more generally, of the Union as a whole;

– the importance of the role of the Commission in enforcing the rules of the exercise and ensuring their application in practice; the expertise and technical soundness of the analyses underpinning the future recommendations; the complexity of the situations experienced by the Member States and the range of parameters taken into account in the analyses;

– as regards the rules specific to the two procedures and the principles of equal treatment, fairness and consistency, the need for the Commission to propose a balanced evaluation and provisions tailored to the particular situation of each Member State;

- the need for a strong political signal and a firm call for action in the case of certain Member States; the need, in the case of others, however, for encouragement or support, for example in the form of extending the deadlines for achieving their reform programmes;

- a call for clarification of the impact and consequences of the different stages envisaged by the Stability and Growth Pact and the macroeconomic imbalance procedure for particular Member States; requests for clarification of the impact of the evaluation methods used and the arrangements for applying these different stages; the exploration of different scenarios for recommendations and different timetables for possible corrective action;

- an insistence on taking into account not only the short-term impact but also the medium and long-term effects of the measures recommended by the Commission under the two procedures.

Replying to these comments, Mr DOMBROVSKIS explained that the documents examined that day gave an overview of the macroeconomic and budgetary situation of each Member State under the procedure set out by the rules. Any relaxing of these rules or delay in applying them would risk undermining the procedure itself and the equity of this procedure, as well as the Commission's power to apply it. He warned against such a risk and called for a balanced solution.

Mr MOSCOVICI, for his part, considered that the Commission must be politically and technically credible and must therefore use expertise and the legal rules as the basis for taking the right political decisions. He added that the European Semester was an opportunity for the Commission to send messages to the Member States to correct their macroeconomic imbalances and budget deficits. The Commission's general approach must strike the right balance between encouragement and a demand for results.

Mr TIMMERMANS thanked Mr DOMBROVSKIS and Mr MOSCOVICI for their detailed presentation and for the summary of the results achieved by the Member States under the various procedures under review. He also thanked the Members of the Commission for their constructive contribution to the ensuing debate. He proposed interrupting the meeting because of the visit by King Philip and Queen Mathilde to the Commission for a working lunch and beginning again at around 15.00 to draw the conclusions.

* * *

The first session closed at 12.03.

Second sitting: Wednesday 25 February 2015 (afternoon)

The second sitting opened at 15.20 with Mr JUNCKER, President, in the chair.

Present:

Mr JUNCKER	President	
Mr TIMMERMANS	First Vice-President	
Ms MOGHERINI	High Representative / Vice-President	
Mr ANSIP	Vice-President	
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	Item 11 (in part)
Ms MALMSTRÖM	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	
Mr STYLIANIDES	Member	
Mr HOGAN	Member	
Ms BULC	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	
Ms VESTAGER	Member	
Mr MOEDAS	Member	

Absent:

Ms GEORGIEVA	Vice-President
Mr ŠEFČOVIČ	Vice-President
Mr HAHN	Member
Mr MIMICA	Member
Mr ANDRIUKAITIS	Member
Mr AVRAMOPOULOS	Member
Lord HILL	Member
Ms BIEŃKOWSKA	Member

11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK AND THE EUROGROUP – 2015 EUROPEAN SEMESTER – ASSESSMENT OF GROWTH CHALLENGES, PREVENTION AND CORRECTION OF MACROECONOMIC IMBALANCES, AND RESULTS OF IN-DEPTH REVIEWS UNDER REGULATION (EU) 1176/2011 (CONTINUED)
(COM(2015) 85 AND /2; SWD(2015) 20; SWD(2015) 21; SWD(2015) 22; SWD(2015) 23; SWD(2015) 24; SWD(2015) 25; SWD(2015) 26; SWD(2015) 27; SWD(2015) 28; SWD(2015) 29; SWD(2015) 30; SWD(2015) 31; SWD(2015) 32; SWD(2015) 33; SWD(2015) 34; SWD(2015) 35; SWD(2015) 36; SWD(2015) 37; SWD(2015) 38; SWD(2015) 39; SWD(2015) 40; SWD(2015) 41; SWD(2015) 42; SWD(2015) 43; SWD(2015) 44; SWD(2015) 45; SWD(2015) 46; SWD(2015) 47; RCC(2015) 15)

The PRESIDENT asked Mr DOMBROVSKIS and Mr MOSCOVICI to present the conclusions of that morning's discussion, which he suggested be taken into account in the set of documents to be adopted in the next few days.

Mr DOMBROVSKIS did not dwell any further on those countries whose situation had prompted no particular discussion. As for some of the Member States that had been identified in November as having macroeconomic imbalances, he proposed, in agreement with Mr MOSCOVICI and following the discussions in the College, that the Commission recommend as follows: France and Bulgaria to be placed – and Croatia to be maintained – at the stage of the procedure where an excessive macroeconomic imbalance requires specific monitoring and decisive policy action, and to place Germany at the stage of the procedure where a macroeconomic imbalance requires monitoring and decisive policy action. He also proposed that the Commission recommend opening the macroeconomic imbalance procedure in the case of Portugal and Romania. He noted the agreement of the College for the situation of Slovenia to be reclassified, compared with the previous year, from an excessive imbalance to an imbalance, although the country would require specific monitoring and decisive policy action.

On the question of fiscal policy, he proposed that the Commission's recommendation should be not to launch the excessive deficit procedure against Belgium, Italy and Finland, in the light of the factors mentioned during the presentation and the report under Article 126(3) of the Treaty on the Functioning of the European Union.

In the case of France, he proposed, in the light of all the aspects examined and in agreement with Mr MOSCOVICI, that the Commission recommend to the Council extending until 2017 the deadline for France to correct its excessive deficit and bring it down to the reference value of 3% of GDP. This measure was combined with an adjustment path of 0.5% in 2015, i.e. the minimum reduction provided for by the Treaties for countries in excessive deficit, and a request to the French Government to apply, by the end of April, the measures already adopted to reduce its deficit. He explained that it was on this basis that the Commission might propose stepping up the excessive deficit procedure once this programme had been evaluated. On the macroeconomic front, the programme of solid reforms to be submitted by the country for the future should remedy its excessive imbalances, which for the time being required specific monitoring and decisive policy action.

Mr MOSCOVICI said that the proposed decisions were balanced and would enable the Commission to demonstrate the importance of structural reforms and compliance with fiscal rules. He noted that most of the Member States had made the necessary efforts, while some of the others needed to speed up their work and reduce either their budget deficit or their debt. He promised that the Commission would continue to encourage them to take these steps.

The PRESIDENT noted that all the Members of the Commission agreed on the proposals presented jointly at the meeting by Mr DOMBROVSKIS and Mr MOSCOVICI, as set out in the Communication distributed as COM(2015) 85/2.

The PRESIDENT also announced that all the individual decisions arising from the Communication would be adopted swiftly by written procedure in the next few days.

On a proposal from the PRESIDENT, the Commission agreed that the Communication set out in COM(2015) 85/2 would be formally adopted by finalisation written procedure, the deadline for which was set at 10.00 on Thursday 26 February 2015 (PE/2015/1377).

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The Commission's other discussions on certain agenda items are recorded in the special minutes.

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The meeting closed at 15.45.