EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2022) 2418 final

- English translation of the French version which is authentic -

Brussels, 17 June 2022

TEXTE EN

MINUTES

of the 2418th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 18 May 2022

(morning)

PV(2022) 2418 final

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<u>Single sitting</u>: Wednesday 18 May 2022 (morning)

The sitting opened at 9.10 with Ms von der LEYEN, President, in the chair. Items 22 and 23 were chaired by Mr TIMMERMANS.

<u>Present</u>:

Ms von der LEYEN	President	Items 1 to 19/21
Mr TIMMERMANS	Executive Vice-President	
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	Items 1 to 19/21
Mr BORRELL i FONTELLES	High Representative / Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	
Ms ŠUICA	Vice-President	Items 1 to 18 (in part)
Mr SCHINAS	Vice-President	Items 1 to 23 (in part)
Ms GABRIEL	Member	Items 1 to 8/16 (in part)
Mr GENTILONI	Member	Items 1 to 23 (in part)
Mr BRETON	Member	
Ms KYRIAKIDES	Member	Items 1 to 18 (in part)
Mr REYNDERS	Member	
Ms DALLI	Member	
Ms VĂLEAN	Member	Items 8/16 to 23
Mr VÁRHELYI	Member	Items 1 to 23 (in part)
Ms SIMSON	Member	Items 1 to 19/21
Mr SINKEVIČIUS	Member	
Ms McGUINNESS	Member	

Absent:

Mr HAHN	Member
Mr SCHMIT	Member
Mr WOJCIECHOWSKI	Member
Ms FERREIRA	Member
Ms JOHANSSON	Member
Mr LENARČIČ	Member
Ms URPILAINEN	Member

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

Mr MÜLLER	Chef de cabinet to Mr HAHN	
Ms ROUCH	Chef de cabinet to Ms GABRIEL	Items 8/16 (in part) to 23
Ms BERTULESSI	Deputy Chef de cabinet to Mr SCHMIT	
Mr GOLUBIEWSKI	Chef de cabinet to Mr WOJCIECHOWSKI	
Mr SOBRAL	Chef de cabinet to Ms FERREIRA	
Mr ROSSIDES	Chef de Cabinet to Ms KYRIAKIDES	Items 18 to 23
Ms WEBBER	Chef de cabinet to Ms JOHANSSON	
Mr SOURD	Expert in Mr LENARČIČ's Office	
Mr LAHTI	Chef de cabinet to Ms URPILAINEN	

The following also sat in:

Mr SEIBERT	Chef de cabinet to the PRESIDENT	Items 1 to 19/21
Mr CALLEJA CRESPO	Director-General, Legal Service	
Ms AHRENKILDE HANSEN	Director-General, DG Communication	
Mr MAMER	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	Items 1 to 19/21

Ms RISO	Deputy Chef de cabinet to the PRESIDENT	Items 1 to 19/21, and 23
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's Office	
Mr VANDENBERGHE	Adviser in the PRESIDENT's Office	Items 1 to 16 (in part)
Mr WHELAN	Adviser in the PRESIDENT's Office	Item 18
Ms HILI	Adviser in the PRESIDENT's Office	Item 17
Ms HOPMEIER	A member of the PRESIDENT's staff	Items 9/16 (in part) and 17
Ms SPINANT	Deputy Chief Spokesperson of the Commission	
Mr VALERO	Secretariat-General	
Ms ALLOUIS-LE LOSTEC	Head of Unit in the Secretariat-General	

Secretary: Ms JUHANSONE, Secretary-General, assisted by Ms DEPREZ, Director in the Secretariat-General.

1. AGENDAS
(OJ(2022) 2418/FINAL; SEC(2022) 2418/FINAL)

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(2022) 2418)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 16 and Tuesday 17 May 2022.

3. APPROVAL OF THE MINUTES
(PV(2022) 2414; PV(2022) 2414, 2ND PART; PV(2022) 2415; PV(2022) 2415, 2ND PART)

The Commission approved the minutes of its 2414th and 2415th meetings of 5 and 27 April 2022, and held over approval of the minutes of its 2416th and 2417th meetings of 3 and 11 May 2022 for a later date.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2022) 119)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held by videoconference on 13 May 2022 (RCC(2022) 119).

The Commission approved the lines proposed for the following points:

– **Amendment of Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards**

corporate sustainability reporting (Directive) – DURAND report – 2021/0104 (COD)

Line set out in SI(2022) 151/3.

– **Amendment of Regulation (EU) 2017/1938 of the European Parliament and of the Council concerning measures to safeguard the security of gas supply and Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to natural gas transmission networks (Regulation) – BUŞOI report – 2022/0090 (COD)**

Line set out in SI(2022) 159/2.

– **Global minimum level of taxation for large multinational groups in the Union (Council Directive) – LALUCQ report – 2021/0433 (CNS)**

Line set out in SP(2022) 257.

– **Oral question O-000011/2022 – Establishing the European Education Area by 2025 – Micro credentials, individual learning accounts and learning for a sustainable environment**

Line set out in SP(2022) 287/2.

– **European Issuance Service – Draft Memorandum of Understanding between the Commission, the European Central Bank and the retained National Central Bank to be submitted to the Governing Council of the European Central Bank on 22 June 2022**

Line set out in SPI(2022) 29.

The Commission took note of the following points:

– **Amendment of Regulation (EU) 2015/760 as regards the scope of eligible assets and investments, the portfolio composition and diversification**

requirements, the borrowing of cash and other fund rules and as regards requirements pertaining to the authorisation, investment policies and operating conditions of European long-term investment funds (Regulation) – HOOGEVEEN report – 2021/0377 (COD)

Information set out in SI(2022) 152.

- **Amendment of Directive 2003/87/EC as regards the notification of offsetting in respect of a global market-based measure for aircraft operators based in the Union (Decision) – GLAVAK report – 2021/0204 (COD)**

  Information set out in SI(2022) 153/2.

- **Amendment and correction of Regulation (EU) No 508/2014 as regards specific measures to alleviate the consequences of the military aggression of Russia against Ukraine on fishing activities and to mitigate the effects of the market disruption caused by that military aggression on the supply chain of fishery and aquaculture products (Regulation) – 2022/0118 (COD)**

  Information set out in SI(2022) 160.

- **Question Time to the Commission in the European Parliament's plenary session**

  Information set out in SP(2022) 293.

5. COORDINATION OF EXTERNAL ACTION (RCC(2022) 21)

The Commission took note of the operational conclusions in RCC(2022) 21 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 11 May 2022.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2022) 210 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 10 and 15 May 2022.

6.2. EMPOWERMENT (SEC(2022) 211 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 10 and 15 May 2022.

6.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2022) 212 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 10 and 15 May 2022 archived in D*e*cide.

6.4. SIGNIFICANT WRITTEN PROCEDURES (SEC(2022) 213 AND /2)

The Commission took note of the significant written procedures for which the time limit expired between 16 and 20 May 2022 and of the finalisation written procedure initiated following the weekly meeting of Chefs de cabinet on Monday 16 and Tuesday 17 May 2022.

7. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2022) 214/2)

ADMINISTRATIVE MATTERS
(PERS(2022) 28/2)

7.1. DG HERA – TERMINATION OF THE SELECTION PROCEDURE AND AUTHORISATION OF THE INTERNAL PUBLICATION FOR AN AD14/15 DIRECTOR
(PERS(2022) 29; PERS(2021) 80)

On a proposal from Mr HAHN, in agreement with the PRESIDENT and after consulting Ms KYRIAKIDES, the Commission decided:

– to terminate internal selection procedure COM/2021/2647 for the post of Director – Deputy Head of the European Health Emergency Preparedness and Response Authority, without making an appointment;

– to approve the new internal publication at grade AD14/15 of the vacancy notice set out in PERS(2022) 29 for the post of Director – Deputy Head of the European Health Emergency Preparedness and Response Authority, in accordance with Article 29(1)(a)(i) and (iii) of the Staff Regulations.

These decisions would take effect immediately.

7.2. SECRETARIAT-GENERAL / REGULATORY SCRUTINY BOARD – APPOINTMENT OF PRINCIPAL ADVISER – MEMBER OF THE REGULATORY SCRUTINY BOARD, AT GRADE AD14
(PERS(2021) 65 TO /4)

The Commission had before it applications under Article 2(a) of the Conditions of Employment of Other Servants of the European Union for a post of Principal Adviser – Member of the Regulatory Scrutiny Board in the Secretariat-General (PERS(2021) 65 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 21 December 2021 and 20 January 2022 (PERS(2021) 65/3 and /4).

The Commission then examined the applicants' qualifications for the post. On a proposal from Mr HAHN, in agreement with the PRESIDENT and after consulting Mr ŠEFČOVIČ, the Commission decided to appoint Mr Philippe MENGAL to the post as a member of the temporary staff under Article 2(a) of the Conditions of Employment of Other Servants of the European Union for a non-renewable period of three years.

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

8. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - REPOWEREU PLAN
(COM(2022) 230 TO /3; SWD(2022) 230 AND /2; RCC(2022) 125)

9. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EU) 2021/241 AS REGARDS REPOWEREU CHAPTERS IN RECOVERY AND RESILIENCE PLANS AND AMENDING REGULATION (EU) 2021/1060, REGULATION (EU) 2021/2115, DIRECTIVE 2003/87/EC AND DIRECTIVE (EU) 2015/1814
(COM(2022) 231 TO /3; RCC(2022) 125)

10. COMMISSION NOTICE - GUIDANCE ON RECOVERY AND RESILIENCE PLANS IN THE CONTEXT OF REPOWEREU
(C(2022) 3300 TO /3; RCC(2022) 125)

11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND

SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – EU SOLAR ENERGY STRATEGY
(COM(2022) 221 TO /3; SWD(2022) 148; RCC(2022) 125)

12. **PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING DIRECTIVE (EU) 2018/2001 ON THE PROMOTION OF THE USE OF ENERGY FROM RENEWABLE SOURCES, DIRECTIVE 2010/31/EU ON THE ENERGY PERFORMANCE OF BUILDINGS AND DIRECTIVE 2012/27/EU ON ENERGY EFFICIENCY**
(COM(2022) 222 TO /3; RCC(2022) 125)

13. **COMMISSION RECOMMENDATION ON SPEEDING UP PERMIT-GRANTING PROCEDURES FOR RENEWABLE ENERGY PROJECTS AND FACILITATING POWER PURCHASE AGREEMENTS**
(C(2022) 3219 AND /2; SWD (2022) 149 AND /2; SWD(2022) 151; RCC(2022) 125)

14. **COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – EU 'SAVE ENERGY'**
(COM(2022) 240 TO /3; RCC(2022) 125)

15. **COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - SHORT-TERM ENERGY MARKET INTERVENTIONS AND LONG-TERM IMPROVEMENTS TO THE ELECTRICITY MARKET DESIGN – A COURSE FOR ACTION**
(COM(2022) 236 AND /2; RCC(2022) 125)

16. **JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE**

AND THE COMMITTEE OF THE REGIONS – EU EXTERNAL ENERGY ENGAGEMENT IN A CHANGING WORLD
(JOIN(2022) 23 TO /3; SWD(2022) 152; RCC(2022) 127)

The PRESIDENT introduced the presentation of the specific initiatives following the REPowerEU plan that the Commission had proposed in March to end Europe's dependence on Russian fossil fuels. She stressed that this plan relied on implementation of the 'Fit for 55' package presented in 2021, and did not alter the latter's ambition to reduce net greenhouse gas emissions by at least 55% by 2030 and achieve climate neutrality by 2050, in line with the European Green Deal. She added that Russia's military aggression against Ukraine had profoundly transformed the EU's vision of its energy supply and underlined even further the argument for speeding up the transition to renewable energy sources.

She praised the considerable work done by the Commission's departments to enable the institution to present an extremely ambitious package of measures which would be of crucial importance for the future of the EU.

Mr TIMMERMANS sincerely thanked all those who had contributed to assembling such an impressive package of proposals with the aim of making the EU, over time, independent from Russia for its energy supply.

He pointed out that the Commission had already demonstrated that this ambition was achievable in its March Communication, and that it would explain in its proposals that day how this could be done. The fact that Russia had very recently interrupted its gas supplies to two Member States constituted a further compelling argument for the need for this overall plan. Implementing it would accelerate and reduce the cost of the EU's energy transformation, secure better gas supply agreements and limit the additional investment needed in fossil fuel infrastructure.

Mr TIMMERMANS stressed that the EU would continue to fully implement its 'Fit for 55' strategy, and pointed out that the objectives of reducing greenhouse gas emissions by 2030 and achieving climate neutrality by 2050 which the EU had set for itself had been retained. However, the pathway initially determined to achieve this would have to be adapted to accommodate REPowerEU. The Commission was proposing to set higher targets for the share of renewable energy in the energy mix of the Member States, the efforts to be made as regards energy efficiency and the increase in investment in electricity and hydrogen networks.

He added that the EU's gas consumption would also have to decrease at a faster pace and that this would be challenging since, at the same time, shifting away from Russian fossil fuels would require investments in security of supply in gas infrastructure, targeted changes to oil infrastructure and, possibly, increased use of domestic coal and gas production. In this context, he emphasised the importance of taking into account the risk of stranded assets.

The measures proposed that day therefore had converging objectives, namely, to encourage energy savings, diversify gas supply and speed up the EU's transition to clean energy sources.

These priority objectives were based on several elements, namely, (i) an EU-wide infrastructure needs assessment based on the framework of the trans-European energy networks, (ii) coordination of reforms and investments to be implemented under the Recovery and Resilience Facility (RRF), through the integration of new chapters on REPowerEU objectives, and (iii) targeted financing. This funding would be channelled via a top-up of resources from the Facility's Market Stability Reserve under the EU Emissions Trading Scheme (ETS), unspent loans under the RRF, voluntary and more flexible transfers of national allocations from the cohesion funds and the common agricultural policy, together with targeted contributions from the Innovation Fund.

Mr TIMMERMANS referred to the main priorities of REPowerEU, starting with the first, the promotion of energy savings, which was also by far the fastest solution.

In the short term, citizens and businesses could reduce demand for oil and gas by 5% by the end of this year. It was not a question of dictating how people should behave, but rather of informing them of the ways in which they could actively contribute to energy savings. In the medium term, the Commission proposed that the energy efficiency target be increased from 9% to 13% by amending the Energy Efficiency Directive.

Mr TIMMERMANS then turned to the second priority, i.e. diversification of gas supply, pointing out that the Commission had already been given a mandate in March to set up a mechanism for voluntary joint purchasing of gas and hydrogen.

He explained that it would therefore set up, together with the Member States, an EU Energy Platform that would pool gas demand, optimise the use of infrastructure and have an international role to play.

The Commission was going even further by proposing a joint purchasing mechanism to negotiate and conclude contracts on behalf of the participating Member States, as it had for vaccines. This mechanism could take the form of a joint venture or commercial entity and thereby leverage the power of the European market.

Legislative measures would be considered to implement the gradual diversification of gas supply in the Member States.

Mr TIMMERMANS did not deny the contradictions that the proposed approach would raise in the short term, in particular between the expansion in gas trade with suppliers other than Russia and the faster than expected decrease in gas demand in the EU, or between the rapid reconstitution of European stocks and the restriction of Russian gas purchases. Although these contradictions were inevitable initially, he stressed that the best guarantee of security of supply was to complete the energy transition as soon as possible and to build mutually beneficial partnerships in this area.

Finally, Mr TIMMERMANS referred to the third part of the REPowerEU action plan, on the clean energy transition. It was proposed that the level of ambition be raised as regards the replacement of gas with renewable electricity and hydrogen. Member States would now have to reach a target of 45% renewable energy in their energy mix by 2030, rather than 40%, which would require an amendment to the Renewable Energy Directive.

In order to achieve this objective, it would be necessary to speed up the granting of permits for renewable energy infrastructure. The amendment to the Renewable Energy Directive therefore aimed to make renewable energy an overriding public interest and to introduce the concept of ‘areas conducive to the deployment of renewable energy sources’. The Commission was also presenting a recommendation to streamline permit procedures at national level.

Mr TIMMERMANS also stressed the importance of exploiting the full potential of solar energy. Under REPowerEU, the Commission was proposing to double solar photovoltaic capacity by 2025 and to install 600 gigawatts of production capacity by 2030. It was also proposing the launch of a European initiative on solar rooftops involving a progressive legal obligation to install solar panels on new public and commercial buildings and new residential buildings.

He also mentioned the development of a hydrogen accelerator that would be facilitated by a strengthened projects pipeline, the rapid adoption of State aid decisions for Important Projects of Common European Interest (IPCEI) and additional funding from the Horizon Europe programme. This initiative would boost the EU’s industrial capacity.

To encourage demand for hydrogen, development of the corresponding infrastructure would be accelerated by mobilising funds from the Connecting Europe Facility, the Recovery and Resilience Facility and the cohesion policy. It was also proposed that green hydrogen consumption by industry be supported.

With regard to biomethane, an industrial alliance similar to that available to the EU for hydrogen and batteries would be established to build up a pipeline of projects that could be financed from a portion of the Member States’ allocations under the common agricultural policy, the cohesion policy and the Recovery and Resilience Facility.

Mr TIMMERMANS stressed that having more renewable electricity and hydrogen would mean that the EU could shift away from Russian fossil fuels more quickly in the electricity, industry and transport sectors.

He said that the EUR 34 billion Innovation Fund would be an essential tool to support these changes, which would benefit European industry by making it more competitive, thanks to the rapid transfer of innovation results.

In addition, electrification would be promoted in the transport sector, in particular through a possible legislative initiative to increase the share of zero-emission vehicles in public and corporate fleets.

The EU would also expand its manufacturing capacity, addressing supply chain bottlenecks and issues with access to raw materials. To support reshoring of solar technologies to Europe, a European Solar Industry Alliance would be set up. Finally, as regards critical raw materials, the Commission would examine the possibility of proposing new legislative measures.

Mr TIMMERMANS concluded his presentation by stressing that the package of measures proposed that day would need to enable the EU to confront the brutal reality of its energy dependence, and would require determined action and an increase in the EU's environmental and climate objectives. The 'Fit for 55' strategy, the priorities of which were largely confirmed and even reinforced by REPowerEU, would therefore remain the flagship policy of the transition at EU level.

Ms SIMSON pointed out that, since the March Communication setting out the main elements of the REPowerEU strategy for making the EU less dependent on Russian fossil fuels, some had questioned the credibility of the proposed approach, and in particular the possibility of rapidly setting up new liquefied natural gas terminals, finding new sources of fossil energy and developing the infrastructure necessary for the development of renewable energy.

She considered that the measures proposed under REPowerEU that day provided a response to all those questions by defining a coherent overall strategy for the future and by not only confirming the validity of the ‘Fit for 55’ objectives, but strengthening them.

She noted that the REPowerEU package of proposals was part of a gradual strategy, bearing in mind that the EU would not be able to free itself from dependence on Russian fossil fuels overnight. In the short term, i.e. by the end of 2022, liquefied natural gas could replace one third of current Russian gas imports. The setting up of the EU Energy Platform would make it possible to effectively coordinate the use of Member States’ energy infrastructure.

In general, she stressed the importance of acting collectively to strengthen the EU’s negotiating power at a time when it was endeavouring to build new energy partnerships to diversify its sources of supply.

The need for gas infrastructure development would be limited and 12 priority projects had been identified.

She placed particular emphasis on the ambitious targets set to develop and accelerate the production and consumption of renewable energy, whether solar, wind or hydrogen, which was now considered to be an overriding public interest.

The package of measures proposed for renewable energy would increase from 40% to 45% the target set for 2030 under the ‘Fit for 55’ strategy, which was therefore more relevant than ever.

Although she acknowledged that freeing the EU from its main energy supplier would be difficult, Ms SIMSON considered that the economic benefits of ending this dependence would go far beyond the short-term cost of implementing REPowerEU, which would, at the same time, result in the more rapid construction of a more secure, sustainable and affordable energy system for the EU and its citizens.

The PRESIDENT said that while the European Green Deal and the 'Fit for 55' strategy had received broad general support, they had also met with resistance from part of society and the business world. She stressed that the war in Ukraine had led to a significant change in public perception of renewable energy, which was not only clean, but also more secure and more affordable, at a time when energy prices were increasingly affecting household budgets.

Many investments would have to be made and financed in order to adapt the EU's energy infrastructure to renewable energy. She therefore invited Mr DOMBROVSKIS and Mr GENTILONI to present the modification that needed to be made to the Recovery and Resilience Facility (RRF) so that the necessary funding could be raised to meet the challenges.

Mr DOMBROVSKIS said that the RRF was the appropriate framework to help the EU decouple from Russian gas and embrace the green energy transition. It was therefore important to fully integrate this element into the strategy to be implemented.

He pointed out that renewables and energy efficiency were already very much present in the existing recovery and resilience plans, since the Regulation required the Member States to achieve a 37% increase in the share of renewables in their energy mix.

However, in view of Russia's military aggression against Ukraine, the EU needed to do more. The Commission was therefore proposing targeted amendments to the RRF Regulation to help Member States deliver on the more ambitious REPowerEU goals.

He explained that the proposal to revise the RRF framework contained three main elements. The first reflected the obligation for Member States to submit

REPowerEU chapters when they amended their national recovery and resilience plans in order to benefit from the available additional funding. The second element related to increasing that funding, thanks to EUR 20 billion in new RRF grants from the auctioning of emission allowances currently held in the Market Stability Reserve and through additional flexibility for Member States to deploy up to 12.5% of their allocations under the cohesion funds and the Agricultural Fund for Rural Development. Finally, the third component consisted, first, in a set of derogating provisions for measures that met immediate security of supply needs and, secondly, in a streamlined process allowing Member States to apply for a share of the EUR 225 billion in loans that remained available under the Facility.

Mr DOMBROVSKIS said that the EUR 20 billion in new grants would be allocated to the Member States on the basis of the distribution key used under the RRF.

The transfer of national allocations from the cohesion funds and common agricultural policy funds to the RRF would be voluntary and would have to be justified by additional reforms and investments, subject to consultation with regional and local authorities.

The amendments proposed in the rules clarified the procedure for requesting loans by replicating the process followed under the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE), including application of the principles of equal treatment, solidarity, proportionality and transparency.

Member States would be invited to express their interest promptly, no later than 30 days after the entry into force of the Regulation, so that the Commission could process loan requests in an orderly manner.

If, following the call for expressions of interest, loans were still available, the Member States that had already requested the equivalent of 6.8% of their gross national income (GNI) in loans would be able to request more in well-justified cases.

The new REPowerEU chapters would contain the additional reforms and investments from Member States to meet the immediate security of supply needs for oil and gas, boost energy efficiency and renewable energy, decarbonise industry, boost sustainable biomethane, promote renewable or fossil-free hydrogen, address internal and cross-border bottlenecks, support zero-emission transport, and develop the green skills of the workforce and key green value chains.

The chapters would promote coordination and synergies between the measures supported under the RRF and actions financed by other sources, including national funds.

He concluded by saying that the Regulation now included a recital stating that Member States could invoke very high inflation and supply chain bottlenecks to request targeted amendments to their plans under Article 21 of the RRF Regulation, if the agreed measures were no longer achievable for objective reasons.

Mr GENTILONI referred to the highly political nature of the measures proposed in the REPowerEU framework, which was being presented in a particularly difficult context in which the EU Member States and citizens were faced with numerous difficulties that were taking a toll on household and government budgets.

He confirmed that the national recovery plans would include an additional chapter covering the measures proposed in the REPowerEU package which, to be effective, would be accompanied by incentives for Member States.

He said that the European Semester cycle, also presented that day, contained the Commission's guidance to Member States on energy investments and reforms to facilitate the process of drafting the REPowerEU chapters.

The PRESIDENT said that the political priorities of the current Commission – first the twin green and digital transitions and secondly resilience – had been largely borne out in the context of the war in Ukraine, which had made it essential for the

EU to continue the transformation it had already embarked on to combat climate change and guarantee its energy independence.

It was important not to underestimate the balance of funding available under the RRF, i.e. a total of EUR 300 billion, which could be used in the form of loans and grants to invest in renewable energy.

Mr BORRELL presented to the College the Communication on the EU external energy engagement in a changing world, which reflected the international dimension of all the initiatives presented that day.

He summarised the key message of the new package, which was that the EU stood ready to end its dependence on fossil fuels by accelerating its ambitious climate action.

Although the EU could achieve energy independence by improving efficiency, diversifying supplies and increasing the share of renewable energy sources in its consumption, this process required mobilisation at all levels, from supranational bodies down to households.

That was why the Communication focused on facilitating energy diversification and concluding long-term partnerships with suppliers, including in the hydrogen or other green sectors. He said that, in line with the Global Gateway strategy, the EU was committed to a just and green energy transition worldwide through increased energy savings and efficiency to reduce pressure on prices, the development of renewable energy and hydrogen, and increased energy diplomacy efforts.

He stressed that that initiative was political in nature and signalled to the world that every euro the EU spent on clean energy strengthened its freedom to take decisions, but also its ability to help its international partners to accelerate their own transition and to invest in combating climate change.

In the course of the discussion that followed, the Commission raised the following main points:

- the urgent need to move away from dependence on fossil fuels in general and on Russian energy in particular, by proposing a comprehensive set of measures to feed into the discussions of the EU's leaders at the next European Council;
- the current very volatile economic and geopolitical situation, forcing the EU to prepare for all scenarios, including a complete interruption of Russian gas supplies before the following winter;
- the major opportunity to reduce the EU's energy dependence offered by the accelerated transition to renewable energy sources;
- the considerable investment to be devoted to energy infrastructure, including initially for coal, heavy oil and possibly nuclear energy;
- the need for swift adoption of the delegated act on the taxonomy for green investments;
- the strategic importance of critical raw materials in the successful transition to renewable energy; hence the need to cooperate with exporting partners sharing the EU's values, in particular Canada and Australia;
- the support of the whole College for the creation of a solar energy alliance as quickly as possible;
- the usefulness of streamlining the procedures for obtaining permits for the construction of renewable energy infrastructure, which would make it possible to reduce time limits considerably within an appropriate legal framework;
- the expected benefits of joint energy purchases at EU level and the desirability of considering legislative measures to encourage Member States to gradually diversify their gas supply;
- the need to involve citizens closely in the implementation of the recommended energy saving measures, which would have an impact on their daily lives.

The PRESIDENT concluded the discussion by thanking Mr TIMMERMANS, Ms SIMSON, Mr DOMBROVSKIS, Mr GENTILONI and Mr BORRELL for the initiatives presented, which constituted a decisive step towards abandoning fossil fuels and implementing the European Green Deal.

Following these presentations, the Commission:

- approved the Communication in COM(2022) 230/3 for transmission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, the Court of Auditors and the national parliaments, together with the staff working document distributed as SWD(2022) 230/2, the contents of which were noted;

- adopted the proposal for a Regulation in COM(2022) 231/3 for transmission to the European Parliament, the Council, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the national parliaments.

- approved in principle the notice set out in C(2022) 3300/3 and, under Article 13 of the Rules of Procedure, empowered Mr DOMBROVSKIS, the Member of the Commission responsible, to formally adopt the notice in all the language versions as soon as they were available, for transmission to the Member States and publication, for information, in the Official Journal of the European Union;

- approved the Communication in COM(2022) 221/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments, together with the staff working document distributed as SWD(2022) 148, the contents of which were noted;

- adopted the proposal for a Directive in COM(2022) 222/3 for transmission to the European Parliament, the Council, the European Economic and Social

Committee, the Committee of the Regions and the national parliaments;

- adopted the Recommendation in C(2022) 3219/2 for transmission to the Member States and for publication, for information, in the Official Journal of the European Union, together with the staff working documents distributed as SWD(2022) 149/2 and SWD(2022) 151, the contents of which were noted;

- approved the Communication in COM(2022) 240/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments;

- approved the Communication in COM(2022) 236/2 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments;

- approved the Joint Communication in JOIN(2022) 23/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments, together with the staff working document distributed as SWD(2022) 152, the contents of which were noted.

17. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – UKRAINE RELIEF AND RECONSTRUCTION

(COM(2022) 233 TO /3; RCC(2022) 131)

The PRESIDENT opened the discussion by first referring to the immediate budgetary support that Ukraine needed, in particular to provide basic services and to keep the State running, and to the fact that the Ukrainian authorities had to start preparing their medium- and long-term reconstruction plan. She emphasised that, without prompt external assistance, Ukraine ran the risk of becoming a weak and failed State. It was for this reason that the EU had decided, in proposing that day's Communication, to invest in the country's immediate financial needs and reconstruction, by linking this assistance to the reforms that needed to be carried out by Ukraine, which could eventually enable it to take a leap forward towards achieving its European aspirations.

As regards reconstruction, the PRESIDENT considered that, at present, what mattered most was to lay the foundations of the future platform for coordinating the reconstruction efforts, focusing on the objectives and principles that would guide these efforts, in particular the principle of joint EU-Ukraine leadership. She noted that, while the Commission was putting forward several options, the basic structure could be developed at a later stage and would include other international partners, since the EU should not be the only party to finance the reconstruction efforts.

Mr DOMBROVSKIS pointed out that, since the start of the Russian aggression, the EU had stepped up its support for Ukraine considerably: it had mobilised around EUR 4.1 billion to strengthen the country's overall economic, social and financial resilience through macro-financial assistance, budget support, emergency aid, crisis response measures and humanitarian assistance.

He stressed that there was general consensus within the EU to support Ukraine through emergency financing and investment for reconstruction. These two aspects were linked, as it was impossible to provide investment in the long term without emergency support for the coming months. He also pointed out that the Member States would be asked to provide bilateral financial guarantees in addition to the macro-financial assistance.

In his view, the specific proposal put forward that day was a step in the right direction and would allow the EU to keep playing a leading role, justified by the fact that Russia's military aggression against Ukraine was taking place on the EU's borders and by Ukraine's European perspective.

With reference to a recent telephone conversation that he had held with the Ukrainian Prime Minister, Mr DOMBROVSKIS recommended setting up a system to monitor the financial commitments made and the amounts actually received by the Ukrainian authorities.

Regarding the reconstruction phase, he stressed the importance of making provision for an appropriate governance structure, several financial instruments and the possibility for other international actors to contribute, while at the same time linking the investments to the reforms needed in Ukraine.

Mr DOMBROVSKIS noted, in conclusion, that Ukraine's considerable financial needs would lead to extraordinary commitments being made by the international community and that, in this respect, the proposed Communication provided the first outline that the EU could use as a basis for its discussions with its partners and sounding out their intentions.

Mr GENTILONI considered that the support that had been provided to Ukraine for many years was rooted in the EU's historic responsibility to offer the country a European future.

He emphasised the new short-term macro-financial assistance announced that day and amounting to EUR 9 billion, which was substantial even in the light of the support provided by other international actors. He made clear, however, that this aid should not deprive other partner countries of EU macro-financial assistance that was crucial for their economies.

As regards the reconstruction platform, he underlined the idea of joint leadership by the EU and the Ukrainian government, and emphasised that the prospect of the EU accession process provided a real guarantee that Ukraine would take ownership of the related reconstruction and reform efforts. He confirmed that the platform would have to be open to other international and multilateral donors, in line with the arrangements to be set out at the meeting of G7 finance ministers on 19 May. He noted that the EU was spearheading the efforts regarding this platform precisely because of the prospect of the EU accession process.

Lastly, Mr GENTILONI felt that the EU should send Ukraine a message of hope regarding its future without the inclusion of any figures, given that, at this stage, it was impossible to estimate how much the country’s reconstruction efforts would cost and it was still not clear how the reconstruction would be financed, especially as regards the possible use of frozen or seized Russian assets. In any event, the approach to be followed was that of the Recovery and Resilience Facility.

Mr VÁRHELYI stressed that the EU had been providing financial assistance to Ukraine since 2014 and that it had reacted quickly, from the outset of the Russian aggression, by committing new funds and redirecting aid already planned for the country.

He expressed his full support for short-term EU financial assistance, including low-conditionality loans, to enable Ukraine to keep the State running.

He also thought that the EU should launch an in-depth discussion on reconstruction as soon as possible, since Ukraine and the international community were relying on the EU to provide the most support. The EU had to play a leading role in coordinating international aid for Ukraine, to avoid a proliferation of support structures and trust funds with excessive conditions.

With regard to the international dimension of the reconstruction efforts, he welcomed the setting up of the Ukraine reconstruction platform with the involvement of international donors. A great deal of care and thought would have to be given to the design of the governance structure, in order to give the EU and

Ukraine joint leadership while at the same time keeping it open to other international actors.

Mr VÁRHELYI emphasised that Ukraine would have to take ownership of the future reconstruction plan and its implementation. It was equally important to link Ukraine's reconstruction to the adoption of reforms in the country, especially in relation to its justice system, the rule of law and the fight against corruption, while the management of the financial assistance would have to be beyond reproach in order to maintain donors' trust.

He noted that Ukraine's reconstruction needs would easily surpass the EU's current available budget, hence his suggestion that the Commission start working on future financing options and arrangements as soon as possible. The purpose of that day's Communication was to start a reflection process on these questions among the Member States; the Commission would present more detailed proposals as discussions between the Member States and with other donors progressed.

In conclusion, he noted the link between Ukraine's future reconstruction and its application for EU membership, but stressed that it was vital to remain attentive to the fact that other countries and partners were candidates and were pursuing their own accession processes.

In the course of the discussion that followed, the Commission raised the following main points:

– the need to ensure that the macro-financial assistance provided to Ukraine did not result in the aid currently provided by the EU to certain third countries being reduced or redirected;

– the importance of the reconstruction platform's future governance, the leading role that had to be played by the EU and Ukraine in that respect, and the fact that this structure had to be open to other international actors;

- the message of hope that the first draft of the reconstruction plan represented, looking beyond the current uncertainties;

- the value of reflecting upon the role that European industry could play in Ukraine's reconstruction; reference to the cooperation activities already carried out in conjunction with several sectors of the Ukrainian economy in the areas of construction materials, space and mining;

- notwithstanding the objective differences of the situation, the attention that should be paid to the expectations of certain other countries or partners that were candidates for EU membership, especially the Western Balkans;

- the case for an in-depth discussion on the possibility of using frozen or seized Russian assets to contribute to Ukraine's reconstruction;

- the scale of Ukraine's reconstruction needs, including future mine clearance operations, both on land and at sea;

- the importance of the link between investment and reform, and the need to involve the Ukrainian authorities – at all levels – in the decisions accompanying Ukraine's reconstruction; the hope that it would be possible for the Commission to work alongside stable Ukrainian teams in Ukraine.

The PRESIDENT picked up on some of the points raised during the discussion.

First, she confirmed that various legal solutions were being explored to allow seized or frozen Russian assets to be used to finance Ukraine's reconstruction.

Then, she pointed out that, as regards Ukraine's EU accession process, the criteria were clear and well known to all and that the only factor that mattered was the individual merit of the country concerned. In Ukraine's case, this process had been launched as the response of European democracies and the EU to Russian military aggression. Even though the political stakes were high, the Commission would not neglect to carry out an objective assessment of the accession conditions of other candidate countries.

Lastly, she mentioned the commitments made by the EU in terms of financial support for Ukraine and noted that the Commission would set up a monitoring mechanism to ensure that the financing promised was actually paid to the Ukrainian authorities.

In conclusion, the PRESIDENT stressed that, as it was impossible at this stage to carry out an exact assessment of Ukraine's reconstruction needs, exact amounts and figures should be avoided.

Following these presentations, the Commission approved the Communication in COM(2022) 233/3 for transmission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments.

18. JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON THE DEFENCE INVESTMENT GAPS ANALYSIS AND WAY FORWARD

(JOIN(2022) 24 AND /2; RCC(2022) 128)

The PRESIDENT opened the discussion on the analysis of European defence investment gaps and the practical proposals to resolve them that the EU Heads of State or Government had requested from the Commission and the High Representative for Foreign Affairs and Security Policy at their informal summit in Versailles in March.

She highlighted the main findings of the analysis presented, namely the inadequate progress in EU government expenditure, investment and research and development in the field of defence over the course of many years. To give an idea of how far behind Europe had fallen, from 1999 to 2021 the Member States had increased their defence spending by only 20%, whereas over the same time period the United States had increased it by 66%, Russia by 292%, and China by 592%.

Given the new perception of security in Europe brought about by the Russian military aggression against Ukraine, she considered it appropriate to call on the Member States to coordinate their efforts and pick up the pace. To this end, she emphasised the need to ensure the interoperability of defence capabilities and equipment in the EU, and to convince the Member States to use joint procurement.

Ms VESTAGER noted that with the return of war to European soil, more and more statements announcing an increase in defence investment were being issued by the Member States. In the short term, this investment would be needed to replenish depleted stocks of the military equipment that many Member States were providing to Ukraine. In the medium to long term, it would help to ensure security in Europe.

In response to the request from EU leaders in Versailles, the analysis presented that day gave a good idea of the investment gaps in the EU, as the PRESIDENT had indicated. However, over and above the need to spend more on defence, it was also necessary to concentrate efforts and remedy certain inefficiencies, as the EU had tried to do in recent years, in particular through permanent structured cooperation within the framework of defence and security policy and through the European Defence Fund (EDF). Better spending, i.e. joint spending, on the part of the Member States would also be essential.

Ms VESTAGER emphasised that this could be achieved by increased coordination and joint procurement, using the same logic successfully applied by the Commission in 2020 and 2021 for joint purchases of vaccines at EU level. The use of joint procurement would enable the Member States to secure better agreements, with the Commission's assistance and in collaboration with the European Defence Agency and the European External Action Service. A contribution of EUR 500 million from the EU budget would encourage the Member States to do this.

Mr BORRELL noted that the military aggression against Ukraine had brought to a halt a decade of 'silent disarmament' in Europe, reminding the EU of the risks it could face in its immediate environment. The current situation was conducive to a significant strengthening of European defence capabilities, in view of the fact that the North Atlantic Treaty Organisation (NATO) umbrella was not sufficient. It was also necessary to replenish rapidly stocks of the equipment supplied by the Member States as part of their support to Ukraine.

One of the conclusions of the analysis presented was that the total under-investment in defence amounted to EUR 160 billion compared with the 2008 level of expenditure. This was one of the key areas for investment identified in the Strategic Compass. Even if defence spending increased, collaborative investments remained very low, accounting for only 11% of the total in 2020, when the target was 35%.

The Member States therefore had to spend more and better by ensuring greater cooperation, increasing defence capabilities, and promoting a stronger industrial base at EU level.

The European Defence Agency would have an essential role in this, since under the Treaty it was responsible for assisting the Member States in setting priorities for the development of defence capabilities.

Mr BORRELL went on to highlight the three main strands of the Communication.

The first, immediate step involved combat force preparation, which included replenishing munitions stocks, training, and joint procurement.

The second step, to be taken in the next five years, would be to increase existing capabilities in both quantitative and qualitative terms, particularly in the fields of strategic enablers, the modernisation of air defences, cyber capabilities and space capabilities. This phase had to start in 2022 to enable delivery within the deadlines.

The third phase, in the next ten years and beyond, would involve strengthening and modernising key European capabilities such as main battle tanks, drones, air defence and military mobility.

Mr BORRELL explained that one of the main elements of that day's proposal related to joint procurement, and that a joint working group would be set up to involve the Member States and coordinate short-term procurement needs. The Member States would benefit from financial incentives to use joint procurement, and the European Defence Agency already had the necessary legal framework and expertise to facilitate such joint operations.

In conclusion, he considered that although some of the measures set out in the Communication were still relatively limited in scope at this stage, they could lead to a radical change in defence cooperation at EU level. The time had come to promote an ambitious vision of European defence.

Mr BRETON also considered that analysing the investment gaps in defence and presenting new measures to support the European industrial base could be a real game-changer.

While the Member States had announced an unprecedented increase in their defence spending, totalling EUR 200 billion, this would not compensate for years of patent under-investment. Before the war in Ukraine, only eight Member States had allocated 2% of their gross domestic product to defence. If all the other Member States had followed suit, spending at EU level would have been EUR 1 100 billion higher, and EUR 270 billion more would have been invested in defence capabilities. The European industrial base was no longer suitable, neither in size nor in production, for facing the current high-intensity threats. He added that military imports from third countries made up 60% of defence purchases in Europe.

Mr BRETON explained that, on the basis of this analysis, the Commission and the European External Action Service were proposing clear priorities, namely a focus in the short term on rebuilding stocks of munitions and missiles, on replacing

Soviet-era capabilities, and on anti-aircraft and ballistic defence. In the medium and long term, progress would be made together in the fields of air, land, maritime, space and cyber defence, and in military mobility.

Mr BRETON presented the new measures proposed to avoid exacerbating the fragmentation of the European industrial base owing to an influx of simultaneous investments, and to avoid fuelling competition between Member States for capacity that was becoming scarce.

The first was the immediate establishment of a task force on joint defence procurement, which would ensure coordination for urgent equipment in the context of the situation in Ukraine.

The second was to set up in the coming weeks a support instrument of EUR 500 million over two years, financed by the EU budget, for the urgent joint purchase of defence capabilities identified by the task force. This pilot tool would pave the way for the establishment of a more structural instrument.

The third measure would consist of putting forward a longer-term European Defence Investment Programme (EDIP), co-financed by the EU budget. An exemption from value-added tax (VAT) would be granted for the acquisition of capabilities that no Member State would be able to bear alone.

Finally, the fourth measure would consist of proceeding towards EU joint strategic programming and a strengthening of the European industrial base, and of making progress in areas such as access to raw materials, skills, and support for critical technologies and industrial development.

Mr BRETON considered it important for the European Investment Bank (EIB) to be able to adapt its policy to support this increase in industrial defence capabilities, particularly in the Member States most at risk.

The European Defence Fund would remain the EU's reference for research and development in the sector; he believed that its budget allocation should be increased.

In conclusion, Mr BRETON said that he was convinced that the ambitious proposals put forward that day could have a structuring effect on European defence. These measures were likely to have an impact for the EU comparable to that of those taken in response to the COVID-19 pandemic, both in terms of the joint purchase of vaccines and the European recovery plan, and the measures taken that day in the field of energy to deal with the consequences of the Russian military aggression against Ukraine.

In the course of the discussion that followed, the Commission primarily considered a question regarding the interpretation of the Treaty on European Union (TUE) as the EU budget could not be used to finance operations with military implications or in the field of defence.

At the PRESIDENT's request, the Director-General of the Legal Service explained that the initiative presented that day was not a legal instrument, but rather a Communication aimed at strengthening industrial defence capabilities by means of joint procurement. He added that the EU could finance dual-use – civilian and military – items from its budget, as had been the case with Galileo and Copernicus, depending on the legal basis of the instrument in question.

The PRESIDENT concluded the discussion by stressing that the instrument to be proposed by the Commission in the autumn, to enable joint procurement of defence equipment, would have to be both legally and operationally sound.

She thanked Ms VESTAGER, Mr BORRELL and Mr BRETON for their excellent work.

Following these presentations, the Commission approved the Joint Communication in JOIN(2022) 24/2 for transmission to the European Parliament, the European

Council, the Council, the European Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments.

19. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT BANK – EUROPEAN SEMESTER 2022 – SPRING PACKAGE
(COM(2022) 600 TO /3; SWD(2022) 628 TO SWD(2022) 639; RCC(2022) 129)

20. COMMISSION RECOMMENDATIONS FOR COUNCIL RECOMMENDATIONS ON THE NATIONAL REFORM PROGRAMMES AND STABILITY OR CONVERGENCE PROGRAMMES OF THE MEMBER STATES
(COM(2022) 601 TO COM(2022) 627; SWD(2022) 601 TO SWD(2022) 627; SWD(2022) 640; RCC(2022) 129)

21. PROPOSAL FOR A COUNCIL DECISION ON GUIDELINES FOR THE EMPLOYMENT POLICIES OF THE MEMBER STATES
COM(2022) 241; RCC(2022) 129)

The PRESIDENT asked Mr DOMBROVSKIS and Mr GENTILONI to present the European Semester spring cycle of economic and budgetary policy coordination of the Union.

Mr DOMBROVSKIS outlined the main points of this cycle, stressing that this year’s exercise focused on the twin green and digital transitions, inclusive recovery and strengthening resilience, a process which began with the implementation of the national recovery and resilience plans. The political priorities proposed to the Member States that day came under the four dimensions of competitive sustainability as reflected in the Annual Sustainable Growth Survey, which had become even more pressing in the light of the events of recent months.

The European economy was one of the economies most affected by Russia's unjustified aggression against Ukraine because of its geographical proximity to Russia and its high energy dependence on it. The Recommendations addressed to the Member States therefore took into account, among other things, the objectives of the REPowerEU plan, translating them into real reforms and investments that each country could include in a new chapter of their national recovery and resilience plans.

The Country-Specific Recommendations would serve as a basis for drawing up these REPowerEU chapters, and the European Semester exercise would thus have a key role to play in achieving the common strategic objective of reducing the EU's dependence on Russian fossil fuels.

Mr DOMBROVSKIS then turned to the budgetary policy aspect of the European Semester. In view of the current uncertainties and the significant risks of a downward revision of its economic outlook, the Union had not yet emerged from the current phase of a severe economic downturn. This situation justified maintaining the use of the general escape clause in the Stability and Growth Pact in 2023, and deactivating it in 2024. Member States could not, however, conduct their budgetary policies as they saw fit; the Commission was providing them with sound guidance on this point, supported by quantitative evidence.

For example, a prudent fiscal policy would have to be pursued in 2023. Member States with a low level of debt would have to ensure that their current expenditure was consistent with a neutral fiscal stance. In other words, any increase in their spending would have to be in proportion to their potential medium-term growth. Highly-indebted Member States, on the other hand, would have to ensure that any increase in current expenditure was below their potential medium-term economic growth. The exact estimates were set out in the recitals of the Country-Specific

Recommendations; maintaining the general escape clause of the Stability and Growth Pact did not suspend application of the rules in force.

Mr DOMBROVSKIS said that, taking account of the above, the Commission would re-examine the situation in the autumn to see whether Member States had complied with the deficit and debt criteria. When the Commission would assess the situation in the spring of 2023 using the final data for 2022, it would in particular verify compliance with the budgetary Recommendations proposed that day in order to decide whether to open any excessive deficit procedures. As of 2023, Member States should adopt prudent fiscal policies, while those with high debt should focus on debt reduction through the gradual consolidation of public accounts, investments and reforms.

Lastly, Mr DOMBROVSKIS took stock of the macroeconomic imbalances resulting from the Commission’s assessments. Overall, the imbalances and excessive imbalances identified in the previous cycle in 12 Member States were gradually decreasing, with declining levels of public and private debt and increasingly balanced current accounts. However, the impact of the COVID-19 crisis had not yet been fully absorbed and certain risk factors had increased, in particular housing prices.

Broadly speaking, the Commission confirmed its previous year’s assessment for 10 Member States. Thus France, Germany, the Netherlands, Portugal, Romania, Spain and Sweden were still experiencing imbalances, while excessive imbalances were affecting Greece, Italy and Cyprus. On the other hand, Croatia and Ireland no longer had imbalances and their debt ratios, which had fallen sharply over the years, continued to show a strong downward trend. This conclusion sent out an important signal in the case of Croatia given that the Commission would be presenting a convergence report on 1 June with a view to that country’s adoption of the euro on 1 January 2023.

Taking the floor, Mr GENTILONI referred to the Commission's latest economic forecasts of 16 May. Growth in gross domestic product (GDP) for 2022 had been revised downward by 1.3% compared with previous forecasts, one of the biggest seasonal declines ever recorded between winter and spring. The economic momentum in 2021 would contribute to around 2% of the growth rate in 2022, but output growth in the current year would be very low, i.e. around 0.7%. The forecasts also included more pessimistic assumptions, dependent in particular on the duration of the war in Ukraine and the consequences of supply disruptions and energy prices, which even suggested the possibility of a technical recession in some Member States. At the same time, the EU would experience an inflation rate of over 6% this year, which would lead to a gradually more restrictive monetary policy. Based on these considerations, Member States that had not returned to their pre-pandemic GDP level by the end of 2021 would probably only be able to do so next year. Lastly, Mr GENTILONI flagged the slowdown in international trade, which was linked in particular to the lockdown measures and the property market situation in China.

He concluded from the above that the European economy was going to face headwinds, with increased risks on the one hand and high debt and low growth on the other, which could widen the gaps between the Member States given that the economic expansion projected at the beginning of 2022 seemed much more uncertain today.

He felt, however, that the Recommendations and proposals in the European Semester cycle presented that day comprised appropriate measures to enable the Member States to deal with this situation.

First, the Country-Specific Recommendations were limited to sectors and challenges that were not sufficiently addressed in the national recovery and resilience plans. Second, they also covered the implementation of the REPowerEU plan, as well as related investments and reforms. Third, Member States whose recovery and resilience plan had not yet been approved would in effect continue to implement the previous year's Recommendations.

Mr GENTILONI went on to say that the decision to extend the general escape clause of the Stability and Growth Pact until 2023 would ensure that national fiscal policies could respond swiftly to events, paving the way for a smoother transition from the generalised economic support granted during the COVID-19 pandemic to the return to more targeted measures and fiscal prudence that was now needed.

The Commission's analysis focused in particular on high-debt Member States, which were urged to be cautious in their fiscal policy and to concentrate on the composition of their public finances. Moreover, all Member States would have to invest in the digital and green transition, and in ensuring the security of their energy supply.

Mr GENTILONI concluded by reporting on the progress in reviewing the economic governance framework of the Union since the relaunch of the public consultation in October 2021. The Commission should now endeavour to reach a consensus on the key points, which would enable it to propose guidelines on the way forward in early autumn. The guidelines would help shape the European economic governance framework well before the general escape clause of the Stability and Growth Pact was deactivated in 2024.

The PRESIDENT thanked Mr DOMBROVSKIS, Mr GENTILONI and their cabinets as well as the departments involved in presenting this new European Semester cycle, praising their excellent work.

Following these presentations, the Commission agreed, on a proposal from the PRESIDENT, that the Communication, the Commission's Recommendations and the proposal for a Decision in COM(2022) 600/3, COM(2022) 601 to COM(2022) 627 and COM(2022) 241 respectively would be formally approved by the finalisation written procedure, the deadline for which was set at 9:00 on Monday 23 May 2022 (PE/2022/3454, PE/2022/3389, PE/2022/3387, PE/2022/3365, PE/2022/3367, PE/2022/3366, PE/2022/3363, PE/2022/3364, PE/2022/3385, PE/2022/3377, PE/2022/3372, PE/2022/3383, PE/2022/3386, PE/2022/3384, PE/2022/3369, PE/2022/3380, PE/2022/3382, PE/2022/3388, PE/2022/3381, PE/2022/3368, PE/2022/3376, PE/2022/3375, PE/2022/3378, PE/2022/3379, PE/2022/3370, PE/2022/3373, PE/2022/3371, PE/2022/3374 and PE/2022/3353, respectively).

22. JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – A STRATEGIC PARTNERSHIP WITH THE GULF (JOIN(2022) 13 TO /3; RCC(2022) 124)

Mr TIMMERMANS asked Mr BORRELL to present the Joint Communication on a strategic partnership with the Gulf countries.

Mr BORRELL said that, at a time of insecurity aggravated by the Russian military aggression against Ukraine and of major challenges for the rules-based international order, the EU and the Gulf countries had everything to gain from a stronger and more strategic partnership in key areas such as energy security, climate change and the green transition, digitalisation, trade and investment.

The EU wanted to re-examine the idea of a free trade agreement with the countries of the region, negotiations for which had been halted in 2008. A dialogue with the Gulf Cooperation Council (GCC) needed to be established in the context of the Joint Comprehensive Plan of Action with Iran, and some of the GCC member countries were now key players in the efforts to resolve various conflicts in the Middle East and the Horn of Africa.

The Gulf countries could also play an important global role in combating climate change and in the green transition since, from major exporters of fossil fuels at present, they could become major exporters of renewable energy in the future given that they had some of the world’s best solar and wind resources.

In addition, the Global Gateway strategy provided a dynamic framework for cooperation with GCC partners with a view to fostering sustainable investments in the whole of the Middle East region and in Africa.

Mr BORRELL pointed out that the EU had intensified its relations with the Gulf countries in the last year, with high-level visits to the region, meetings between EU foreign ministers and their Gulf counterparts and a meeting of the EU-GCC Joint Council in February. The EU would open a new delegation in Qatar in 2022 and in Oman in 2023.

This commitment was a sign of the desire to strengthen dialogue with these countries, and there was great interest on their part for a closer and more strategic relationship with the EU.

The Gulf countries were also making certain requests. First, they wanted visa-free access to the Schengen area, which the Commission had recently proposed for some of them; the matter was now before the co-legislators. They also wanted the EU to take into account their security concerns, in particular with regard to Iran, and to provide them with strong support in this area.

Mr BORRELL concluded by noting that the Russian military aggression against Ukraine had made the Communication presented that day even more timely, since the EU needed assistance from the Gulf countries for its gas supply, for the support to be given to Ukraine and for food security in the Middle East.

A brief discussion ensued, during which the Commission referred mainly to the belief that the EU and the Gulf countries could both benefit from political rapprochement, without however overlooking the challenges to be overcome, particularly as regards regional stability and human rights issues.

Following these presentations, the Commission approved the Joint Communication in JOIN(2022) 13/3 for transmission to the European Parliament, the Council and, for information, to the national parliaments.

23. OTHER BUSINESS

23.1. LATEST DEVELOPMENTS IN EXTERNAL RELATIONS

Mr TIMMERMANS asked Mr BORRELL to report on the latest developments in external relations.

Mr BORRELL referred to the main items on the agenda of the Foreign Affairs Council which had taken place on 16 and 17 May.

EU ministers had held a discussion on the Western Balkans, to which six foreign ministers from partners in the region had been invited. It had been stressed that the EU should start accession negotiations with North Macedonia and Albania as quickly as possible, and that the obstacle to opening them should be removed without delay. The Council had also welcomed the decision by some Western Balkan partners to fully align themselves with the EU's foreign policy and sanctions, and had said it expected everyone to commit to European values and foreign policy, in particular candidates for accession. As regards the dialogue between Serbia and Kosovo[1], ministers had reiterated their expectations regarding strict compliance with and full implementation of all previous agreements, as well as a gradual return to normal relations between the two parties. In addition, many had called for visa liberalisation for Kosovo.

Mr BORRELL then broached the discussions that had been held on Ukraine, in which the Ukrainian foreign and defence ministers and NATO's Deputy Secretary-General had taken part. Ministers had been briefed on the situation

[1] This designation is without prejudice to positions on status, and is in line with UNSCR 1244 (1999) and the ICJ Opinion on the Kosovo declaration of independence.

on the ground and had reiterated the EU's continued and resolute support for Ukraine in its fight against the Russian aggression. They had discussed the proposal to provide an additional EUR 500 million under the European Peace Facility. They had also firmly supported the idea of strengthening the EU's response to Russia's information manipulation policy, within the multilateral framework, alongside the G7 and in cooperation with the G20 partners. In particular, they wanted to counter Russia's attempts to pin the blame for the increasingly serious global consequences of its aggression not only on Ukraine but also on the EU and the West in general.

Mr BORRELL also raised the issue of the 2021 postponement of European funding for Palestine, which had been the subject of a new debate in the Council. Twenty-three Member States had explicitly requested that the funds be disbursed as soon as possible and unconditionally. He hoped that, with the help of the Commission, foreign ministers would reach an agreement on the matter at their next meeting.

Finally, he mentioned the Council's discussion on the situation in Mali. Following the EU's decision to suspend its two Common Security and Defence Policy missions in the country, ministers had addressed the issue of coordinated programming of troop reductions on the ground. However, the EU's presence in the Sahel was not called into question and ministers had expressed a wish for better support for partner countries in the region.

A brief discussion ensued, during which the Commission referred mainly to the urgent need to resolve bilateral tensions between Bulgaria and North Macedonia before the June European Council, which had to take a decision on the status of potential candidates for EU accession, and to implement a systematic and robust strategy to refute Russian disinformation about the war in Ukraine.

The Commission took note of this information.

23.2. LATEST DEVELOPMENTS CONCERNING THE EUROPEAN UNION'S RELATIONS WITH THE UNITED KINGDOM

Mr TIMMERMANS asked Mr ŠEFČOVIČ to report to the College on the latest developments concerning the EU's relations with the United Kingdom.

Mr ŠEFČOVIČ referred to the statements by the UK Government on 16 May, according to which it would shortly propose a bill revoking certain parts of the Protocol on Ireland/Northern Ireland concluded in the context of the Withdrawal Agreement.

On 17 May he had published a statement pointing out that this unilateral measure, which was contrary to the international agreement that had been concluded, would be unacceptable for the EU. It would create more problems and instability for Northern Ireland and in EU-UK relations.

Mr ŠEFČOVIČ noted that the UK foreign minister, Liz TRUSS, and himself, in their capacity as co-chairs of the Joint Committee set up under the Withdrawal Agreement, had committed to working on technical arrangements to alleviate the difficulties encountered by the UK in applying the Protocol. For example, the EU had proposed a constructive mechanism to safeguard the continued supply of medicines to Northern Ireland.

If the UK government decided to go ahead with the planned bill, the EU would respond by using all the instruments at its disposal, following a gradual approach which he would present to the Member States and the European Parliament in the coming days.

For the present, Mr ŠEFČOVIČ expressed his readiness to continue the dialogue with a view to agreeing on practical adjustments within the scope of the Protocol.

He concluded by welcoming the unity among the Member States and the EU institutions and reiterated that they had no intention of renegotiating the Protocol on Ireland/Northern Ireland concluded in 2019.

The Commission took note of this information.

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The meeting closed at 13.02.