



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2022) 2435 final

- English translation of the French version which is authentic -

Brussels, 30 November 2022

TEXTE EN

MINUTES

of the 2435th meeting of the Commission

held in Brussels

(Berlaymont)

on Saturday 22 October 2022 (afternoon)

and

Wednesday 26 October 2022 (morning)

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- English translation of the French version which is authentic -

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The 2435th meeting of the Commission was held in two parts:

- on Saturday 22 October 2022, from 15.13 to 17.16;
- on Wednesday 26 October 2022, from 9.08 to 11.10.

First sitting: Saturday 22 October 2022 (afternoon)

The sitting opened at 15.13 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	
Ms GABRIEL	Member	
Ms FERREIRA	Member	
Mr REYNDERS	Member	
Ms JOHANSSON	Member	
Ms URPILAINEN	Member	Item 1 (in part)
Ms SIMSON	Member	

The following sat in by videoconference:

Ms VESTAGER	Executive Vice-President
Mr BORRELL i FONTELLES	High Representative / Vice-President
Ms ŠUICA	Vice-President
Mr SCHINAS	Vice-President
Mr HAHN	Member
Mr BRETON	Member
Ms KYRIAKIDES	Member
Ms DALLI	Member
Mr SINKEVIČIUS	Member
Ms McGUINNESS	Member

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Absent:

Mr TIMMERMANS	Executive Vice-President
Mr DOMBROVSKIS	Executive Vice-President
Mr SCHMIT	Member
Mr GENTILONI	Member
Mr WOJCIECHOWSKI	Member
Mr LENARČIČ	Member
Ms VÁLEAN	Member
Mr VÁRHELYI	Member

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

Mr HAGER	Chef de cabinet to Mr DOMBROVSKIS	Item 1 (in part)
Mr LANGER	Policy Assistant in Mr WOJCIECHOWSKI's office	
Mr GOETZ	Chef de cabinet to Ms VÁLEAN	

The following also sat in:

Mr SEIBERT	Chef de cabinet to the PRESIDENT
Ms AHRENKILDE HANSEN	Director-General, DG Communication
Mr MAMER	Head of the Spokesperson's Service and Chief Spokesperson of the Commission
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's office
Mr BAERT	Adviser in the PRESIDENT's office
Mr RUDD	President of the Asia Society and of the Asia Society Policy Institute
Ms MILLAR	Australia's Ambassador to Belgium, Luxembourg, the European Union, and the North Atlantic Treaty Organization
Ms BUKA	Secretariat-General
Ms ALLOUIS-LE LOSTEC	Head of Unit in the Secretariat-General

The following also sat in by videoconference:

Mr CALLEJA CRESPO

Director-General, Legal Service

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

1. EXCHANGE OF VIEWS WITH MR KEVIN RUDD, PRESIDENT OF THE ASIA SOCIETY AND OF THE ASIA SOCIETY POLICY INSTITUTE

The PRESIDENT welcomed Mr Kevin RUDD, President of the Asia Society in New York and former Prime Minister and Minister for Foreign Affairs of Australia. She highlighted his position as one of the most respected experts on China in the world.

Mr RUDD started the discussion with the College by presenting the major strategic elements that characterised China's policy and also relations between China and the United States.

Following the discussion with the Members of the College, the PRESIDENT warmly thanked Mr RUDD for this opportunity to exchange and share in-depth knowledge that enabled a better understanding of the current geopolitical situation and of how it might evolve.

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The first sitting closed at 17.16.

Second sitting: Wednesday 26 October 2022 (morning)

The second sitting opened at 9.08 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Mr TIMMERMANS	Executive Vice-President	Items 2 to 14.2 (in part)
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	Items 2 to 14.2 (in part)
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	Items 2 to 14.2 (in part)
Ms ŠUICA	Vice-President	
Mr SCHINAS	Vice-President	
Mr HAHN	Member	
Ms GABRIEL	Member	
Mr SCHMIT	Member	
Mr GENTILONI	Member	
Mr WOJCIECHOWSKI	Member	
Ms FERREIRA	Member	
Ms KYRIAKIDES	Member	
Mr REYNDERS	Member	
Ms JOHANSSON	Member	
Mr LENARČIČ	Member	
Ms VÁLEAN	Member	Items 9 to 14.2
Ms SIMSON	Member	
Mr SINKEVIČIUS	Member	
Ms McGUINNESS	Member	

Absent:

Mr BORRELL i FONTELLES	High Representative / Vice-President
Mr BRETON	Member
Ms DALLI	Member
Mr VÁRHELYI	Member
Ms URPILAINEN	Member

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

Mr BRIENS	Deputy Chef de cabinet to Mr BORRELL
Mr MOUTARLIER	Chef de cabinet to Mr BRETON
Ms GERHARDS	Deputy Chef de cabinet to Ms DALLI
Mr KRISTÓFFY	Chef de cabinet to Mr VÁRHELYI
Mr LAHTI	Chef de cabinet to Ms URPILAINEN

The following also sat in:

Mr SEIBERT	Chef de cabinet to the PRESIDENT	
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	
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's office	
Mr VAN KEMSEKE	A member of the PRESIDENT's staff	
Ms MICELI	Policy Coordinator in the PRESIDENT's office	Item 13
Mr THYGESEN	Chairman, European Fiscal Board	Item 9
Mr LARCH	Secretariat-General	Item 9
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.

2. AGENDAS

(OJ(2022) 2435/FINAL; SEC(2022) 2435/FINAL)

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

3. WEEKLY MEETING OF CHEFS DE CABINET

(RCC(2022) 2435)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 24 October 2022.

4. APPROVAL OF THE MINUTES

(PV(2022) 2431)

The Commission approved the minutes of its 2431st meeting of 28 September 2022 and decided to hold over approval of the minutes of its 2432nd, 2433rd and 2434th meetings of 4, 12 and 18 October 2022 until a later meeting.

5. INTERINSTITUTIONAL RELATIONS

(RCC(2022) 193)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 21 October 2022 (RCC(2022) 193).

The Commission approved the lines proposed for the following points:

- **Amendment of Regulation (EU) No 1025/2012 as regards the decisions of European standardisation organisations concerning European standards and European standardisation deliverables (Regulation) – HAHN report –**

2022/0021 (COD)

Line set out in SI(2022) 349.

– **Consumer credits (Directive) – KONEČNÁ report – 2021/0171 (COD)**

Line set out in SI(2022) 360/2.

– **‘Fit for 55’ – Aviation**

○ **Amendment of Directive 2003/87/EC as regards aviation’s contribution to the Union’s economy-wide emission reduction target and appropriately implementing a global market-based measure (Directive) – GLAVAK report – 2021/0207 (COD)**

○ **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)**

Line set out in SI(2022) 361/2.

– **‘Fit for 55’ – Amendment of Regulation (EU) 2019/631 as regards strengthening the CO₂ emission performance standards for new passenger cars and new light commercial vehicles in line with the Union’s increased climate ambition (Regulation) – HUITEMA report – 2021/0197 (COD)**

Line set out in SI(2022) 362/2.

– **Information exchange between law enforcement authorities of Member States, and repeal of Council Framework Decision 2006/960/JHA (Directive) – DÜPONT report – 2021/0411 (COD)**

Line set out in SI(2022) 364/2.

- **‘Fit for 55’ – Deployment of alternative fuels infrastructure, and repeal of Directive 2014/94/EU of the European Parliament and of the Council (Regulation) – ERTUG report – 2021/0223 (COD)**

Line set out in SI(2022) 366.

- **‘Fit for 55’ – Use of renewable and low-carbon fuels in maritime transport and amendment of Directive 2009/16/EC (Regulation) – WARBORN report – 2021/0210 (COD)**

Line set out in SI(2022) 367.

- **Statute and funding of European political parties and European political foundations (Regulation – recast) – WIELAND & GOERENS report – 2021/0375 (COD)**

Line set out in SI(2022) 373/2.

- **Establishment of the Union Secure Connectivity Programme 2023-2027 (Regulation) – GRUDLER report – 2022/0039 (COD)**

Line set out in SI(2022) 368.

- **Strengthening the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms (Directive) – RAFAELA & PETER-HANSEN report – 2021/0050 (COD)**

Line set out in SI(2022) 372.

- **Rules for the exercise of the Union’s rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation Agreement between the European Union and the European Atomic Energy**

Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (Regulation) – HÜBNER & KELLY & SCHIEDER report – 2022/0068 (COD)

Line set out in SI(2022) 376.

- **Measures for a high common level of cybersecurity at the institutions, bodies, offices and agencies of the Union (Regulation) – VIRKKUNEN report – 2022/0085 (COD)**

Line set out in SI(2022) 363/2.

- **Application of Articles 93, 107 and 108 of the Treaty on the Functioning of the European Union to certain categories of State aid in the rail, inland waterway and multimodal transport sector (Council Regulation) – 2022/0209 (NLE)**

Line set out in SI(2022) 370.

- **Results of the consultations under Article 498 of the Trade and Cooperation Agreement between the European Union and the United Kingdom on setting the total allowable catch and the functionally linked measures for 2022**

Line set out in SI(2022) 378.

- **Negotiations on the accession of the European Union to the European Convention on Human Rights (ECHR)**

Line set out in SI(2022) 377.

- **General budget of the European Union for the financial year 2023 – all sections – ȘTEFĂNUȚĂ & HERBST report – 2022/0212 (BUD)**

Line set out in SI(2022) 371.

The Commission approved the line proposed for the following point, for transmission to the European Parliament:

- **Commission replies to the non-legislative resolutions adopted by the European Parliament at its part-session of July 2022**

Line set out in SP(2022) 599/2.

The Commission approved the line proposed for the following point, for transmission to the Committee of the Regions:

- **Follow-up to opinions of the Committee of the Regions – Plenary session of June 2022**

Line set out in SR(2022) 18.

The Commission took note of the following points:

- **Energy performance of buildings (Directive – recast) – CUFFE report – 2021/0426 (COD)**

Information set out in SI(2022) 369.

- **Amendment of Council Regulation (EEC) No 95/93 as regards temporary relief from the slot utilisation rules at Community airports due to the COVID-19 pandemic (Regulation) – RIQUET report – 2022/0214 (COD)**

Compromise text in SI(2022) 365, further to note SP(2022) 540, which the Commission had already approved on 4 October 2022.

- **Results of Parliament's October II 2022 part-session**

Information set out in SP(2022) 590.

**6. COORDINATION OF EXTERNAL ACTION
(RCC(2022) 38)**

The Commission took note of the operational conclusions in RCC(2022) 38 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 19 October 2022.

7. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

**7.1. WRITTEN PROCEDURES APPROVED
(SEC(2022) 363 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 17 and 23 October 2022.

**7.2. EMPOWERMENT
(SEC(2022) 364 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 17 and 23 October 2022.

**7.3. DELEGATION / SUBDELEGATION OF POWERS
(SEC(2022) 365 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 17 and 23 October 2022 archived in Decide.

**7.4. SIGNIFICANT WRITTEN PROCEDURES
(SEC(2022) 366)**

The Commission took note of the significant written procedures for which the time limit expired between 24 October and 4 November 2022

8. ADMINISTRATIVE AND BUDGETARY MATTERS
(SEC(2022) 367)

ADMINISTRATIVE MATTERS
(PERS(2022) 72)

8.1. DG INTERNATIONAL PARTNERSHIPS / DG HEALTH AND FOOD SAFETY / DG TRADE – INTERNAL AND INTERINSTITUTIONAL (AT GRADE AD14/15) AND EXTERNAL (AT GRADE AD14) PUBLICATION OF THE JOINT VACANCY NOTICE FOR THREE DIRECTOR POSTS (PERS(2022) 73)

On a proposal from Mr HAHN, in agreement with the PRESIDENT and after consulting Mr DOMBROVSKIS, Ms KYRIAKIDES and Ms URPILAINEN, the Commission decided to authorise the publication, under Article 29(1)(a)(i) and (iii), Article 29(1)(b) and Article 29(2) of the Staff Regulations, of the joint vacancy notice set out in PERS(2022) 73 for the posts of:

- Director of the ‘Resources’ Directorate in DG International Partnerships;
- Director of the ‘Policy and Administrative Support’ Directorate in DG Health and Food Safety;
- Director of the ‘Resources, Interinstitutional Relations, Communication and Civil Society’ Directorate in DG Trade.

This decision would take effect immediately.

8.2. EUROSTAT – INTERNAL AND INTERINSTITUTIONAL (AT GRADE AD14/15) AND EXTERNAL (AT GRADE AD14) PUBLICATION OF A

**VACANCY NOTICE FOR A DIRECTOR POST
(PERS(2022) 74)**

On a proposal from Mr HAHN, in agreement with the PRESIDENT and after consulting Mr GENTILONI, the Commission decided to authorise the publication, under Article 29(1)(a)(i) and (iii), Article 29(1)(b) and Article 29(2) of the Staff Regulations, of the vacancy notice set out in PERS(2022) 74 for the post of Director of the ‘Standards Dissemination; Cooperation in the European Statistical System’ Directorate at Eurostat.

This decision would take effect immediately.

9. OTHER BUSINESS

PRESENTATION OF THE 2022 ANNUAL REPORT OF THE EUROPEAN FISCAL BOARD

The PRESIDENT asked Mr Niels THYGESEN, Chair of the European Fiscal Board, to present the findings of the independent advisory body’s sixth Annual Report. Given the rapid changes in the economic situation over the past year, she wanted to hear the European Fiscal Board’s view on how the European Union and its Member States could address the current challenges through their budgets.

Mr THYGESEN began by thanking the President for inviting him to present the Board’s 2022 Annual Report. He explained that this Report was made up of two parts: one looking back at the situation in the previous year (2021), assessing the application of EU’s fiscal rules during the recovery from the COVID crisis, and one looking forward, dealing, among other things, with proposals for reforming the EU’s fiscal framework.

With respect to macroeconomic trends in 2021, Mr THYGESEN emphasised that, after a recession, 2021 saw an exceptionally strong rebound, with a significant increase in economic growth in the EU. By the end of 2021, annual real gross domestic product (GDP) in the EU and the euro area approached pre-pandemic levels, although sizeable differences existed between Member States. Overall, unemployment rates dropped to record low levels and inflation started to pick up.

At the same time, the Stability and Growth Pact's 'general escape clause' remained in application and the extensive interpretation it was accorded resulted in the *de facto* shelving of the normal implementation of budgetary rules at European level. EU fiscal guidance to Member States was consequently purely qualitative, with no differentiation by country.

He said that the need to safeguard the sustainability of debt in the medium term had been duly stressed, but no indications had been provided on how to achieve it. In his view, reporting under the Stability and Growth Pact had fallen short of requirements and practice, hampering the transparency of the process. The Commission did not produce the usual reports under Article 126(3) of the Treaty, although excessive deficits persisted, but it had continued to implement the Excessive Deficit Procedure for Romania.

As for budgetary trends, Mr THYGESEN pointed to the massive fiscal support provided by the Member States in 2020 in response to the COVID-19 pandemic. In 2021 headline deficits improved by nearly one-third to around 5%, but the reduction was entirely cyclical. Higher-than-expected revenues were used to extend emergency measures and further increase public expenditure. As a result, discretionary fiscal support in the euro area increased from already very high levels, despite the rapid economic recovery.

Mr THYGESEN explained that growth in net permanent expenditure accelerated in very high debt countries, exceeding medium-term potential output growth. Moreover, according to the Board, if all countries had stuck to their original budget

plans for 2021, the EU and euro area deficit would not have been 5%, but would have been closer to 3% of GDP and this additional budgetary room for manoeuvre would have been useful in addressing energy price hikes.

To conclude the review part, he noted that the discretionary fiscal expansion in 2021 was in contrast with the recovery and a swift decline in economic slack, and these budgetary policies had led to a pro-cyclical expansion and fed inflation, a trend to which very high debt countries contributed the most. In certain cases, activation of national escape clauses had led to a lack of numerical targets and made the work of national independent fiscal institutions more difficult.

Mr THYGESEN then turned to the forward-looking part of the Report and the context of the economic governance review. In this regard, he argued that continued recourse to the Stability and Growth Pact's severe economic downturn clause was creating a harmful vacuum of quantitative fiscal guidance and that the sustainability of public finance was back in the spotlight, as a result of rising debt levels.

There was an urgent need to return to a rules-based fiscal framework. In the Board's opinion, the economic governance review should be concluded as swiftly as possible in order to return to guidance that would ideally be consistent with the revised framework as from 2024.

Mr THYGESEN stressed, however, that there was more to economic governance than merely updating the Stability and Growth Pact, and that a more comprehensive reform was needed. The guiding principle of such a reform should be to focus on preventing, identifying and correcting gross fiscal policy errors.

In this context, the legitimacy for fiscal rules depended primarily on reducing risks of harmful spill-overs and economic surveillance had to become more differentiated.

To this end, the Board suggested that Member States with a debt ratio well above 60% – six were into triple figures – should agree a reduction path over a 3 to 5-year

horizon with the Commission, to be endorsed by the Council. The expenditure benchmark should be the operational target for this process.

For the other Member States (the large majority), monitoring fiscal outcomes through national frameworks would be relied upon, but such decentralisation would be contingent on: (i) a transparent, medium-term national budgetary framework, (ii) fiscal rules well aligned with those of the EU, and (iii) an independent fiscal institution that met minimum standards to ensure transparency in terms of national surveillance. The Commission would validate these conditions on a continuing basis and stand ready to open an excessive deficit procedure with any Member State committing gross errors.

Beyond reform of the Stability and Growth Pact, Mr THYGESEN pointed to two major economic governance gaps which needed to be filled according to the Board's Report: (i) better protection of the provision of EU public goods, and (ii) more scope for stabilisation against major temporary shocks. With respect to the first point, the Board would prefer to see a larger EU budget which could cover new strategic investment priorities to address priority challenges at EU level, and which would be extended by national allocations. As for the second point, the Board held that a central fiscal capacity for stabilisation was still missing. This could be inspired by the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE).

Mr THYGESEN concluded by stressing that the European Fiscal Board advocated a comprehensive and ambitious reform of the EU fiscal framework.

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

- the quality of the European Fiscal Board's Report and Mr THYGESEN's presentation, which gave an overview of recent fiscal policy developments and made a useful contribution to the ongoing debate on reviewing the EU's economic governance framework;

- endorsement of the finding that Member States’ fiscal policies in 2021 were, in hindsight, too expansionary, as support measures granted by way of exception were not temporary and targeted, despite the Commission’s recommendations;
- the high degree of uncertainty facing the EU when the fiscal guidance for 2021 was adopted (spring 2020), the fiscal differentiation between Member States proposed in the subsequent cycles (spring 2021 and 2022), and the success of the strong and coordinated fiscal response designed to mitigate the effects of the pandemic and ensure economic recovery;
- concern that a new fiscal stimulus this year might counteract efforts by the European Central Bank to cut inflation;
- the consequent need for the European Semester autumn package to include a recommendation for Member States to adjust their fiscal policies so as to ensure that current expenditure was lower than medium-term potential growth and that energy-price support measures were temporary;
- confirmation that the Commission would soon present its policy orientations on the review of economic governance, and the observation that the Board’s proposals were along the same lines as the Commission’s current thinking, but that account should be taken of some differing viewpoints among Member States;
- the importance of the preventive arm of the Stability and Growth Pact in avoiding manifest fiscal policy errors and the consequent need for the Commission to continue providing policy guidance to Member States;
- the objective of the common fiscal framework, which should be to reduce high public debt ratios in a realistic and sustainable fashion, with each country on a specific pathway, while leaving room for forward-looking investments;

- the reflection that the geopolitical situation and the current energy crisis made the call for more joint EU action even more convincing, in particular with a view to safeguarding the fiscal stability of each Member State and other public goods;
- the option of setting out more flexible debt adjustment paths if there was no political agreement on a central fiscal stabilisation capacity to respond to temporary shocks affecting achievement of the objectives;
- during the discussion on a possible central fiscal capacity, the need to take account of the ‘triple A’ rating of European debt and the capacity of the capital markets to absorb a limited amount of this debt each year;
- the prerequisites for implementing the idea of decentralised national monitoring of fiscal outturn that was sufficiently strong and independent.

In response to the points raised by the Members of the Commission, Mr THYGESEN welcomed the fact that some of the reform proposals by the European Fiscal Board were broadly in line with the Commission’s future communication.

As regards fiscal policy developments since 2021, a degree of flexibility was required from one year to another and, in a situation of uncertainty, it was not possible to insist on the same objectives each year. The solution was medium-term fiscal planning with Member States contributing to the process.

As for protecting public goods, the Board’s proposal was to adopt and implement limited expenditure using the EU’s budgetary resources, as national governments were currently paying insufficient attention to the spill-over effects of their public expenditure decisions in the other Member States.

The acceleration of the green transition was an area where spill-overs could be clearly seen and where more joint decisions were needed. As for financing these

decisions, the idea was not to multiply public investment, but to examine how to make full use of existing instruments and institutions, so as to avoid damaging the EU's credibility as a borrower on the capital markets.

Mr THYGESEN also recognised Member States' resistance to increasing the EU budget, while stressing that a bigger budget in certain crucial areas should be considered.

Lastly, the European Fiscal Board's proposal to decentralise fiscal policy surveillance to the Member States was due to the need to ensure that longer-term expenditure projections were in line with revenue forecasts.

The Board was not advocating tolerance for fiscal expansion in 2022 over and above that in 2021, but Member States needed a medium-term fiscal framework that was more reassuring than today, given the extraordinary period that the EU was going through.

The PRESIDENT wrapped up the discussion by expressing sincere thanks to Mr THYGESEN for sharing the Report and experience of the European Fiscal Board with the College.

The Commission took note of this information.

**10. PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING DIRECTIVE 2000/60/EC ESTABLISHING A FRAMEWORK FOR COMMUNITY ACTION IN THE FIELD OF WATER POLICY, DIRECTIVE 2006/118/EC ON THE PROTECTION OF GROUND WATER AGAINST POLLUTION AND DETERIORATION AND DIRECTIVE 2008/105/EC ON ENVIRONMENTAL QUALITY STANDARDS IN THE FIELD OF WATER POLICY
(COM(2022) 540 TO /3; SWD(2022) 540 AND /2; SWD(2022) 543; SEC(2022) 540; RCC(2022) 198)**

11. PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL CONCERNING URBAN WASTEWATER TREATMENT (RECAST)

(COM(2022) 541 TO /3; SWD(2022) 541; SWD(2022) 544; SEC(2022) 541; RCC(2022) 198)

12. PROPOSAL FOR A DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON AMBIENT AIR QUALITY AND CLEANER AIR FOR EUROPE (RECAST)

(COM(2022) 542 AND /2; SWD(2022) 542; SWD(2022) 545; SWD(2022) 345; SEC(2022) 542; RCC(2022) 198)

The PRESIDENT asked Mr TIMMERMANS and Mr SINKEVIČIUS to present to the College the three legislative proposals in the zero pollution package.

Mr TIMMERMANS began by thanking the relevant departments and cabinets for their excellent work in the preparation of this legislative package, which proposed stricter rules on ambient air quality, surface and groundwater pollutants and urban wastewater treatment.

He pointed out that the objective of the European Green Deal was to achieve climate neutrality, and not just carbon neutrality, by 2050. Pollution was the cause of about one in eight deaths in the EU and one of the top five causes of environmental degradation. Every year saw approximately 300 000 premature deaths in the EU caused by air pollution, and inaction on this issue was estimated to cost between EUR 230 billion and over 800 billion per year.

Mr TIMMERMANS pointed out that the proposals being tabled that day had two major aims: first, to prevent pollution and allow citizens to breathe clean air and drink and use clean water, and secondly, to extend the responsibility of producers in accordance with the ‘polluter pays’ principle to ensure that the cost of pollution was borne by those who caused it, rather than by society as a whole.

He stressed that some of the relevant legislation was 30 years old and that the scientific data on substances dangerous to human health and on the resulting cost to society had improved since then.

Mr SINKEVIČIUS then took the floor and noted that the Commission was taking a big step towards protecting citizens' health and the environment, promoting the transition towards a green economy and implementing the European Green Deal. He added that the zero pollution package was one of the main priorities of the Commission's environmental agenda.

The European Green Deal contained a commitment to a zero pollution ambition, and half the measures listed in the 2021 Zero Pollution Action Plan had already been implemented. However, there was still a lot of work to do to reduce pollution to levels that were no longer harmful to human health, the environment and the economy.

Mr SINKEVIČIUS explained that the package had three major components: improving air quality, protecting freshwater resources against pollution and modernising wastewater management.

He stressed that air quality had already improved significantly as a result of EU policies. Nevertheless, air pollution remained the greatest threat to the environment and to human health and a major challenge for the economy. The consequences were most serious for the most vulnerable, in particular children, the elderly, people with certain medical conditions and the economically disadvantaged.

Mr SINKEVIČIUS said that the proposal set interim targets to be reached by 2030, so that, by the end of the decade, EU air quality standards would be aligned more closely with the recommendations of the World Health Organization. At the same time, the proposal would set the EU on a path to achieving zero air pollution by 2050 at the latest, through regular reviews of these standards to take account of scientific and technological progress. The first such review would take place in 2028 with a view to setting the post-2030 direction.

He considered that, over the next 10 years, this revision, together with the improvements already made to existing policies, would reduce by about 70% the number of premature deaths in the EU caused by poor air quality, currently estimated at 300 000 per year. He highlighted the co-benefits of decarbonisation and of the shift to cleaner energy production that was being speeded up by the REPowerEU plan.

He also stressed that the new rules would be easier to enforce and that, above all, they would provide citizens with strong tools to demand justice. In this respect, he explained that the idea was to give citizens a collective right to claim compensation when their health had suffered as a result of a lack of enforcement of the laws governing air quality and wastewater.

Mr SINKEVIČIUS added that the rules applicable to competent authorities were currently being harmonised to enable them to impose more dissuasive penalties on polluters who violated air quality measures at national or local level.

He pointed out that the proposal concerning air quality also strengthened the rules on monitoring and modelling air quality and improved the framework for air quality plans by strengthening cooperation between Member States in tackling cross-border cases.

The proposal also reduced the financial burden of diseases, lower productivity, crop yield loss and damage to materials and ecosystems. According to the Commission's impact assessment, the benefits would be between 7.5 and 21 times greater than the costs.

Mr SINKEVIČIUS went on to present the second proposal in the package, concerning fresh water.

He highlighted the environmental incident which had caused mass deaths of fish in the Oder river on the German-Polish border during the summer, demonstrating the

potential consequences of pollution in times of drought caused by climate change. He added that reducing pollution meant making rivers more resilient.

Pharmaceuticals, pesticides and ‘forever chemicals’ such as per- and polyfluoroalkyl substances (PFAS) were still found in Europe’s fresh waters, at levels that endangered the aquatic environment.

Mr SINKEVIČIUS explained that the proposal on fresh waters strengthened the standards for rivers, lakes, seas and groundwaters, as part of the drive towards zero pollution.

The key changes proposed included tackling new pollution threats by bringing their concentrations down to safe levels, introducing an early warning mechanism for water pollution, increasing the availability and transparency of pollution data and requiring Member States to alert each other about pollution events, especially when there was a cross-border impact.

The full package also complemented the proposals made in the new Regulation on the sustainable use of pesticides, to reduce pollution at source, ensure soils stayed healthy and reduce the treatment of drinking water.

Mr SINKEVIČIUS then discussed the third and final proposal in the package, namely the revision of the Urban Wastewater Treatment Directive, which he stressed had already brought enormous benefits to European citizens.

The goals of this third proposal were to bring it into line with the ambitions of the European Green Deal, make optimum use of wastewater as a resource, save energy and produce renewable energy, including ‘green’ biogas, and reduce the sector’s emissions by almost 50% by 2040.

It would also introduce new rules to reduce micropollutant emissions, in line with the list of micropollutants identified in the freshwater proposal.

For two categories of micropollutant, which constituted 92% of the toxic load in wastewater, i.e. water from pharmaceuticals and personal care products, producers would be required to contribute to the cost of cleaning the wastewater, thereby avoiding taxpayers having to pay those costs in full.

Mr SINKEVIČIUS pointed out that there would also be new parameters to help local authorities improve health monitoring and to track threats to public health, as was already the case for COVID-19.

High standards for air and water quality were crucial and needed to be implemented effectively. Consequently, all three proposals contained suggestions for improving their enforcement.

In conclusion, Mr SINKEVIČIUS stressed that there would be no progress towards zero pollution without an effort from all relevant policies and sectors to reduce pollution at source, in particular in the fields of energy, agriculture and transport.

In this context, he encouraged all Members of the Commission to use this opportunity to communicate on what action they were taking to support the move towards zero pollution and cleaner air and water.

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

- the broad support for the package, which was described as crucial and timely;
- the clear advantages of combating pollution for human health and the environment;
- in this context, the importance of monitoring wastewater for epidemiological reasons with the aim of protecting human health, as shown by the COVID-19 pandemic;
- in addition, support for the obligation for manufacturers of pharmaceuticals and cosmetics to contribute to the cost of cleaning wastewater;

- the need to examine new standards applicable to wastewater treatment plants at an early stage in negotiations on new cohesion policy programmes;
- the importance of the reference to the Conference on the Future of Europe and the recommendations of the final report to protect water sources and prevent water pollution, which showed that the public's concerns were being taken seriously;
- the need to explain clearly the underlying implementation timetable to the general public, so as to increase their acceptance of the package and its overall objectives;
- the application of the new rules on the list of pollutants to European undertakings established in third countries and importing into the EU, as well as the reasons for excluding tertiary treatment of water.

In reply to the questions raised during the discussion, Mr SINKEVIČIUS stressed that EU undertakings operating from third countries and importing goods into the EU were required to comply with EU rules.

He also explained that water from tertiary treatment could not be reused if it presented risks to human health.

Finally, he noted that investments under the cohesion funds would be essential for towns of more than 1 000 inhabitants and that the largest expense would be borne by small local authorities rather than by citizens.

Following these presentations, the Commission:

- adopted the proposal for a Directive in COM(2022) 540/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments, together with the impact assessment, the summary thereof and the opinion of the Regulatory Scrutiny Board in SWD(2022) 540/2, SWD(2022) 543 and SEC(2022) 540, the contents of which were noted.

- adopted the proposal for a Directive in COM(2022) 541/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments, together with the impact assessment, the summary thereof and the opinion of the Regulatory Scrutiny Board in SWD(2022) 541, SWD(2022) 544 and SEC(2022) 541, the contents of which were noted;
- adopted the proposal for a Directive in COM(2022) 542/2 for transmission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments, together with the staff working document, the impact assessment, the summary thereof and the opinion of the Regulatory Scrutiny Board in SWD(2022) 542, SWD(2022) 545, SWD(2022) 345 and SEC(2022) 542, the contents of which were noted.

**13. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATIONS (EU) NO 260/2012 AND (EU) 2021/1230 AS REGARDS INSTANT CREDIT TRANSFERS IN EURO
(COM(2022) 546 AND /2; SWD(2022) 546; SWD(2022) 547; SEC(2022) 546; RCC(2022) 197)**

The PRESIDENT invited Mr DOMBROVSKIS and Ms McGUINNESS to present to the College the proposal for a Regulation on instant credit transfers in euro.

Mr DOMBROVSKIS first explained that, with instant transfers, the transferred funds reached the beneficiary's bank account in a matter of seconds rather than days. The aim of the proposal put forward for adoption that day was to make these transfers available to all individuals and businesses with a euro bank account in the European Union.

He highlighted the major advantages of the proposal, especially in terms of guaranteeing payments and reducing the liquidity needs of small and medium-sized enterprises (SMEs). Almost EUR 200 billion currently in transit every day in the financial system could therefore be released for spending or investment.

Instant payments would stimulate innovation by allowing banks and fintech companies to develop innovative payment solutions, attract new customers and compete with major international players.

Mr DOMBROVSKIS then emphasised the low uptake of instant payments: only around 11% of all euro credit transfers in the EU were instant. In fact, only two thirds of EU payment service providers currently offered instant euro payments, which meant that instant payments were unavailable to more than 70 million payment account holders in the euro area alone.

Moreover, in most Member States, instant payments were more expensive than traditional transfers, sometimes costing as much as EUR 30 per payment.

He also stressed that the proposal would help the fight against fraud. At present, EU banks were not obliged to check the payee's name on a transfer. As a result, in 2020, more than EUR 300 million had been sent to fraudsters by money transfer.

Lastly, Mr DOMBROVSKIS pointed out that up to 9% of cross-border euro payments were rejected because payment service providers suspected that they were in breach of EU sanctions. In 99.8% of cases, however, these suspicions proved to be unfounded after verification. He concluded by saying that inefficient and slow screening methods had a significant impact on the take-up of instant euro transfers.

For her part, Ms McGUINNESS emphasised the tangible benefits that a higher take-up of instant transfers would have for individuals, SMEs and major European businesses, in particular thanks to the positive impact on cash flows. She pointed out that the proposal formed part of the commitments made under the 2020 Retail Payments Strategy for the EU.

She then summarised the content of the proposal, first noting the obligation on all payment service providers offering euro transfers to also offer instant payments, which could not cost more than regular transfers.

In order not to disadvantage consumers using small providers, service providers of all sizes would be covered by these obligations, which would be phased in to give providers time to adapt and spread the costs.

Payment service providers outside the euro area would also be required to offer instant payments as soon as they offered other euro services. They would have two additional years in which to comply with this obligation, however, in line with the additional time afforded to them under the Single Euro Payments Area (SEPA) Regulation.

Ms McGUINNESS then spoke about protecting consumers against fraud. The proposal required payment service providers to check the name linked to the international bank account number (IBAN).

Although the price of this service would not be regulated, she noted that in the Netherlands, where IBAN name checks were already commonplace, there was no additional cost to the consumer. She stressed that the obligation applied only to payment service providers; consumers were not required to use this service.

Lastly, she mentioned the new sanctions screening procedure proposed in the text, which she considered to be much more efficient and secure. At present, checks were carried out at the time of the transaction, at a very high cost to the payment service provider. Under the new system, however, there would be daily checks, as well as additional checks after new sanctions lists were adopted.

Ms McGUINNESS explained that this would help reduce loopholes and minimise the potential for sanctions evasion, while at the same time offering the sector savings of up to EUR 8 billion a year.

Following these presentations, the Commission adopted the proposal for a

Regulation in COM(2022) 546/2 for transmission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the European Data Protection Supervisor and the national parliaments, together with the impact assessment, the summary thereof and the opinion of the Regulatory Scrutiny Board in SWD(2022) 546, SWD(2022) 547 and SEC(2022) 546, the contents of which were noted.

14. OTHER BUSINESS (CONTINUED)

14.1. LATEST DEVELOPMENTS IN THE FIELD OF ENERGY

The PRESIDENT mentioned that, at its previous weekly meeting, the College had adopted a substantial package of measures on the basis of Article 122 of the Treaty on the Functioning of the European Union (TFEU). The package had been built around three key elements: (i) possible joint gas purchases to enable Member States and energy companies to take advantage of their joint purchasing power, (ii) promotion of energy-saving measures and (iii) solidarity between Member States in case of emergency based on a set of common rules.

The PRESIDENT noted that the measures proposed by the Commission had given rise to long discussions at the European Council on 20 and 21 October. The discussions had also touched on the ongoing work in Parliament and the Council on strengthening REpowerEU and the possible adoption throughout the EU of the ‘Iberian model’, which involved capping the price of gas used for electricity production to limit the final price of electricity.

The measures that had been proposed in a swift and united manner all sent a signal to the market to limit the speculation and volatility fuelled by Russian propaganda. Member States had thus seen the price of gas fall to EUR 100/MWh from EUR 350 in August. She welcomed the positive effect

of the proposed measures but stressed that they now needed to be adopted and possibly strengthened so as to be fully operational and deliver the expected results.

In that connection, the PRESIDENT asked Ms SIMSON to report on the main results of the Energy Council held on 25 October.

Ms SIMSON pointed out that this first formal meeting of the Council of Energy Ministers followed on from four informal meetings already held under the Czech Presidency of the Council.

The Member States had held a policy debate on the package of measures adopted by the Commission the previous week, including the proposal for a Directive and the proposal for a Regulation on the internal markets for renewable and natural gases and hydrogen. Energy ministers had also adopted a general approach on the proposal for a Directive setting new requirements for the energy performance of buildings with the objective of all new buildings being zero-emission by 2030 and existing ones being transformed into zero-emission buildings by 2050.

With regard to energy savings, Ms SIMSON noted that the Member States had already been able to reduce their gas demand by 15% from September, while storage capacities were fully utilised, which made it possible to ease the pressure in the energy market at least temporarily and help push prices downwards.

She then referred to joint purchasing of gas, which had been broadly supported by ministers and elicited strong interest in the details of the scheme. She stressed in this regard the advantage of all Member States joining forces on the global market and explained that if the model proposed by the Commission was endorsed by the Council in November, the EU would be ready to purchase gas jointly to replenish its reserves after the current heating season.

This process would involve at least 13.8 billion cubic metres of gas, which would be sufficiently attractive for suppliers and significant for the market, in a context of substantial differences between the supply routes of the Member States, which did not all have the capacity to deal with liquefied natural gas (LNG).

As regards tackling high gas prices, the measures proposed by the Commission provided that, by 31 March 2023, the European Union Agency for the Cooperation of Energy Regulators (ACER) would devise a new additional EU gas benchmark that properly reflected the current market situation. There was a broad consensus among Member States on the importance of this measure in increasing price transparency and predictability.

While the new benchmark would be ready by the next filling season, the Commission had also proposed establishing a dynamic ceiling for the Title Transfer Facility index, which could be used immediately to deal with excessively high gas prices. On the basis of the constructive discussions in the Energy Council, the Commission would quickly work out the details of the proposal, which should also ensure security of supply and avoid an increase in gas consumption.

Lastly, Ms SIMSON welcomed the unanimous support from the Member States for the third pillar of the set of measures proposed by the Commission, which aimed to strengthen solidarity between Member States in case of serious supply disruption in the coming winter and which included default rules that would apply in the absence of a bilateral solidarity agreement.

With regard to the situation in Ukraine, energy ministers had referred to Russian bombing since 10 October, which had targeted energy infrastructure and caused serious damage. As much as 30% of Ukrainian equipment such as transformers, circuit breakers and power lines had been destroyed, causing massive power cuts. She stressed the challenge of repairing this infrastructure,

which could only be done by a limited number of specialist companies. She noted in that regard the importance of continuing the work under way to raise the necessary funds for rebuilding damaged infrastructure and equipment, including heating plants to cope with winter.

Ms SIMSON concluded by mentioning the importance of rapidly simplifying authorisation procedures for renewables and networks, including through emergency measures. The Commission had proposed measures in May to streamline and speed up the authorisation procedure, and it was now urgent for the Council and Parliament to prepare their position by the end of the year.

The PRESIDENT welcomed the progress made on joint gas purchases and stressed the importance of energy suppliers forming consortia to strengthen their bargaining power. The Commission expected that 15% of demand would have to be joint aggregate demand.

Although the proposed measures had already helped ease pressure on the gas market, she nevertheless urged caution and argued that the market was not yet stabilised. She stressed the importance of continuing work on developing market correction mechanisms, the principles of which had been agreed by EU leaders at the last European Council and the details of which now had to be worked out. In the meantime, the Commission should continue in its determination not to tolerate speculation that contributed to the volatility of gas prices, which was the main concern for EU citizens and businesses.

She also stressed the importance of the EU remaining competitive, particularly with regard to the United States. She did not yet rule out extending the Iberian model of capping the price of gas used for electricity production. At the European Council, the Commission had been tasked with analysing what extending the Iberian exception to the rest of Europe would mean, bearing in mind that, depending on each country's energy mix, the cost of such a mechanism and its benefits could vary considerably.

In conclusion, the PRESIDENT pointed out that the green transition was a priority and would make it possible to move away from fossil fuel dependency in the longer term and achieve the climate change goals.

The Commission took note of this information.

14.2. REVISION OF THE STATE AID TEMPORARY CRISIS FRAMEWORK

Ms VESTAGER began by stressing the importance of a European framework for State aid at a time of crisis, failing which each Member State would act on its own, despite the very wide differences between them in terms of budgetary and administrative capacity.

She reported that the revised State aid Temporary Crisis Framework was in the process of being finalised and the previous day she had launched a third and final consultation of the Member States with a view to the Commission adopting the text by written procedure by the end of the week.

The aim of this revision was to ensure that the framework continued to be adequate and relevant for providing the necessary support in the light of the evolving situation in the European Union. It should enable Member States to help their industries against the background of high energy prices, while maintaining strong incentives to reduce consumption and preserving the level playing field.

Since its adoption in March 2022, the Temporary Crisis Framework had made sure that all Member States played by the same rules. Over the past 8 months, 116 decisions had been taken and 136 national measures – notified by 25 Member States – had been approved. As during the COVID crisis, this had been done in a very tight timeframe and on that basis a total of around EUR 455 billion of State aid had been approved by the Commission.

To ensure that this possibility of extraordinary support did not distort the level playing field across the EU, the Temporary Crisis Framework included

safeguards based on very simple principles. First, aid should be granted only to those who most needed it. Second, beneficiaries had to bear some of the costs themselves. This ensured that aid was proportionate and that proper demand reduction incentives remained in place. Finally, although this point had not yet been reached, extraordinary support measures would have to be gradually phased out to avoid aid dependency. The crisis rules therefore had to be limited in time and adapted progressively to the developing needs of Member States.

Ms VESTAGER noted that the main features of the revised framework consisted of: (i) a prolongation of the rules until 31 December 2023, including an increase in the various aid thresholds, (ii) the introduction of a new legal basis for aid to support demand reduction, and (iii) major simplifications for support to industry for high energy prices.

She then gave a few examples of the proposed changes. There would be broader scope for Member States to provide public guarantees to energy companies to cover the financial collateral for their trading activities in view of current market prices and volatility. Important additional adjustments would also allow Member States to provide extra support to companies affected by high energy prices.

Lastly, Ms VESTAGER explained that the condition that large beneficiaries had to be loss-making to receive the support was being removed and that the list of sectors eligible for the highest aid amounts and aid intensities was being expanded.

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

- a reminder that State aid could be granted only if the Member States had enough fiscal space, which created a risk of distorting the level playing field in the internal market;

- a question about the possibility of reserving a limited amount (for example around 10%) in the national recovery and resilience plans for investment in energy projects in order to support Member States in connection with the REPowerEU and REboost plans;
- the difficulty in identifying precisely State aid for the fertiliser industry in the agricultural sector.

Ms VESTAGER replied that support for investment at EU level would have to be provided through a viable cross-border mechanism. She noted that the temporary framework had to be put in place rapidly and that only some of the total amount of State aid approved by the Member States had already been paid to the undertakings concerned. Lastly, she added that it was difficult at this stage to say what amount of aid would go to the fertiliser industry, as the decision on awarding aid was a matter for each Member State.

The PRESIDENT warmly thanked Ms VESTAGER for her excellent work. She pointed out that Member States had the possibility of helping their industry through REPowerEU and stressed that, in addition to support for consumption – which must remain limited – it was also important to make sustainable investments in interconnections and infrastructure within the EU.

Lastly, she noted that the question of the flexibility of the cohesion funds had been raised at the last European Council and that REPowerEU already included redistribution as regards loans for some Member States. Given the reservations of some Member States, she felt that it was important for the Commission to calibrate its proposal carefully and to demonstrate that these sustainable investments were in the EU's interests.

The Commission took note of this information.

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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 11.10.