



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2022) 2436 final

- English translation of the French version which is authentic -

Brussels, 7 December 2022

TEXTE EN

MINUTES

of the 2436th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 9 November 2022

(morning)

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Single sitting: Wednesday 9 November 2022 (morning)

The sitting opened at 9.14 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Mr TIMMERMANS	Executive Vice-President	Items 1 to 17 (in part)
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	Items 1 to 15 (in part)
Mr BORRELL i FONTELLES	High Representative / Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	Items 1 to 12/13 (in part)
Ms ŠUICA	Vice-President	
Mr SCHINAS	Vice-President	
Mr HAHN	Member	
Ms GABRIEL	Member	Items 1 to 15 (in part)
Mr SCHMIT	Member	
Mr GENTILONI	Member	Items 1 to 15 (in part)
Mr WOJCIECHOWSKI	Member	
Mr BRETON	Member	
Ms FERREIRA	Member	
Ms KYRIAKIDES	Member	Items 1 to 17 (in part)
Mr REYNDERS	Member	
Ms DALLI	Member	
Ms JOHANSSON	Member	Items 1 to 17 (in part)
Mr LENARČIČ	Member	
Ms VÁLEAN	Member	Items 1 to 17 (in part)
Mr VÁRHELYI	Member	
Ms URPILAINEN	Member	
Ms SIMSON	Member	
Ms McGUINNESS	Member	Items 8 (in part) to 17

Absent:

Mr SINKEVIČIUS

Member

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

MR ŠATŪNAS

Chef de cabinet to Mr SINKEVIČIUS

Ms REILLY

Chef de cabinet to Ms McGUINNESS

Items 1 to 8 (in part)

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 RISO

Deputy Chef de cabinet to the PRESIDENT

Items 8 to 12/13 (in part)

Ms PETKOVA

Director of Coordination and Administration in
the PRESIDENT's office

Ms HOPMEIER

A member of the PRESIDENT's staff

Items 9/11

Mr WHELAN

Adviser in the PRESIDENT's office

Items 12/13, 15
and 16

Ms BUKA

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) 2436/FINAL; SEC(2022) 2436/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) 2436)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 7 and Tuesday 8 November 2022.

3. APPROVAL OF THE MINUTES

(PV(2022) 2432)

The Commission approved the minutes of its 2432nd meeting of 4 October 2022 and decided to hold over approval of the minutes of its 2433rd, 2434th and 2435th meetings of 12, 18 and 22/26 October 2022 until a later meeting.

4. INTERINSTITUTIONAL RELATIONS

(RCC(2022) 195)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held by videoconference on Friday 4 November 2022 (RCC(2022) 195).

The Commission approved the lines proposed for the following points:

- **‘Fit for 55’ – EU Emissions Trading System**
 - **Amendment of Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme, and Regulation (EU) 2015/757 (Directive) – LIESE report – 2021/0211 (COD)**
 - **Amendment of Decision (EU) 2015/1814 as regards the amount of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading scheme until 2030 (Decision) – ENGERER report – 2021/0202 (COD)**

Line set out in SI(2022) 380/2.

- **‘Fit for 55’ – Amendment of Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement (Regulation) – POLFJÄRD report – 2021/0200 (COD)**

Line set out in SI(2022) 381.

- **‘Fit for 55’ – Amendment of Regulations (EU) 2018/841 as regards the scope, simplifying the compliance rules, setting out the targets of the Member States for 2030 and committing to the collective achievement of climate neutrality by 2035 in the land use, forestry and agriculture sector, and (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review (Regulation) – NIINISTÖ report – 2021/0201 (COD)**

Line set out in SI(2022) 382.

- **General product safety – Amendment of Regulation (EU) No 1025/2012 of the European Parliament and of the Council and repeal of Council Directive 87/357/EEC and Directive 2001/95/EC of the European Parliament and of the Council (Regulation) – CHARANZOVÁ report – 2021/0170 (COD)**

Line set out in SI(2022) 383.

- **Making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repeal of Regulation (EU) No 995/2010 (Regulation) – HANSEN report – 2021/0366 (COD)**

Line set out in SI(2022) 384/2.

- **Non-recognition of Russian travel documents issued in occupied foreign regions (Decision) – 2022/0274 (COD)**

Line set out in SI(2022) 391.

- **‘Fit for 55’ – Establishment of a carbon border adjustment mechanism (Regulation) – CHAHIM report – 2021/0214 (COD)**

Line set out in SI(2022) 392/2.

- **Conservation and management measures for the conservation of the Southern Bluefin Tuna (Regulation) – O’SULLIVAN report – 2021/0242 (COD)**

Line set out in SI(2022) 400.

- **Amendment of Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, as regards certain provisions on vehicle taxation (Council Directive) – CLUNE report – 2017/0115 (CNS)**

Line set out in SI(2022) 399.

- **EU position for the annual consultations of coastal States on management and control measures for pelagic stocks in the North-East Atlantic for 2023**

Line set out in SI(2022) 401.

- **European Declaration on Digital Rights and Principles for the Digital Decade – COM(2022) 28 final**

Line set out in SI(2022) 387.

The Commission approved the lines proposed for the following points, for transmission to the European Parliament:

- **Replies to the legislative resolutions (and list of non-legislative resolutions without formal reply) adopted by the European Parliament at its October I 2022 part session**

Line set out in SP(2022) 623/2.

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

Line set out in SP(2022) 624/3.

The Commission took note of the following points:

- **Amendment of Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amendment of Regulation (EU) 2021/1060, Regulation (EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814 (Regulation) – MUREŞAN, GARDIAZABAL RUBIAL & PÎSLARU report – 2022/0164 (COD)**

Information set out in SP(2022) 618/2.

– **Digital finance**

- **Digital operational resilience for the financial sector and amendment of Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014 (Regulation) – KELLEHER report – 2020/0266 (COD)**
- **Digital operational resilience requirements – Amendment of Directives 2006/43/EC, 2009/65/EC, 2009/138/EU, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 (Directive) – PEKSA report – 2020/0268 (COD)**

Compromise texts in SP(2022) 595 and SP(2022) 616, further to note SI(2022) 164 already approved by the Commission on 25 May 2022.

- **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)**

Compromise text in SP(2022) 617, further to note SI(2022) 250 already approved by the Commission on 29 June 2022.

- **Measures for a high common level of cybersecurity across the Union, and repeal of Directive (EU) 2016/1148 (Directive) – GROOTHUIS report – 2020/0359 (COD)**

Compromise text in SP(2022) 619, further to note SI(2022) 177 already approved by the Commission on 1 June 2022.

- **Foreign subsidies distorting the internal market (Regulation) – HANSEN report – 2021/0114 (COD)**

Compromise text in SP(2022) 620, further to note SI(2022) 274 already

approved by the Commission on 13 July 2022.

- **Amendment of Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (Regulation) – FERNÁNDEZ report – 2021/0342 (COD)**

Information set out in SI(2022) 386.

- **Revised Protocol on Cooperation between the European Commission and the European Economic and Social Committee (EESC) – Outcome of negotiations**

Information set out in SC(2022) 34.

- **Draft text for the future EU/Euratom-United Kingdom agreement in respect of Gibraltar – Goods and customs**

Information set out in SI(2022) 402.

5. COORDINATION OF EXTERNAL ACTION (RCC(2022) 39; RCC(2022) 40)

The Commission took note of the operational conclusions in RCC(2022) 39 and RCC(2022) 40 of the meetings of the Group for External Coordination (EXCO) on Wednesday 26 October and 2 November 2022.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2022) 370 ET SEQ.)

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The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 24 October and 6 November 2022.

6.2. EMPOWERMENT
(SEC(2022) 371 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 24 October and 6 November 2022.

6.3. DELEGATION / SUBDELEGATION OF POWERS
(SEC(2022) 372 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 24 October and 6 November 2022 archived in Decide.

6.4. SIGNIFICANT WRITTEN PROCEDURES
(SEC(2022) 373 AND /2)

The Commission took note of the significant written procedures for which the time limit expired between 7 and 11 November 2022, and of the finalisation written procedures.

**6.5. GRANTING OF A DELEGATION OF POWERS RELATING TO THE
ADOPTION OF PROPOSALS FOR THE POSITION TO BE TAKEN ON
BEHALF OF THE EUROPEAN UNION WITHIN THE
WORLD CUSTOMS ORGANIZATION WITH REGARD TO THE
ADOPTION OF EXPLANATORY NOTES, CLASSIFICATION
OPINIONS OR OTHER ADVICE ON THE INTERPRETATION OF THE
HARMONIZED SYSTEM AND RECOMMENDATIONS TO SECURE
UNIFORMITY IN THE INTERPRETATION OF THE HARMONIZED
SYSTEM UNDER THE HARMONIZED SYSTEM CONVENTION**
(C(2022) 8018)

The Commission decided to grant a delegation of powers to the Director-General of DG Taxation and Customs Union to adopt, on behalf of the Commission and under its responsibility, certain decisions subject to the conditions laid down in Articles 2 to 5 of the Decision.

The Commission adopted the decision in C(2022) 8018.

7. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2022) 374)

ADMINISTRATIVE MATTERS

(PERS(2022) 75)

7.1. JOINT RESEARCH CENTRE – APPOINTMENT OF DIRECTOR AT GRADE AD14/15

(PERS(2021) 117 TO /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii), Article 29(1)(b) and Article 29(2) of the Staff Regulations for the post of Director of the ‘Nuclear Safety and Security (Karlsruhe)’ Directorate at the Joint Research Centre (PERS(2021) 117 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 2 and 23 June 2022 (PERS(2021) 117/3 and /4).

The Commission then examined the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Ms GABRIEL, it then decided to appoint Ms Ulla ENGELMANN to the post.

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

**7.2. SECRETARIAT-GENERAL – APPOINTMENT OF DIRECTOR AT GRADE AD14/15
(PERS(2022) 76 TO /3)**

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director of the ‘Western European Partners’ Directorate in the Secretariat-General (PERS(2022) 76).

It took note of the opinions of the Consultative Committee on Appointments of 10 and 24 October 2022 (PERS(2022) 76/2 and /3).

The Commission then examined the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr HAHN, in agreement with the PRESIDENT, it then decided to appoint Mr Richard SZOSTAK to the post.

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

7.3. EUROPEAN PERSONNEL SELECTION OFFICE – APPOINTMENT OF THE HEAD OF THE EUROPEAN SCHOOL OF ADMINISTRATION, AT GRADE AD9/14

The Commission took note of the procedure followed, as set out in point 3 of PERS(2022) 57, and, on a proposal from Mr HAHN, in agreement with the PRESIDENT, decided to appoint Ms Anna MITELMAN NIELSEN to the post of Head of the European School of Administration.

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

7.4. DG MIGRATION AND HOME AFFAIRS – ADOPTION OF A LIST OF CANDIDATES FOR THE POST OF EXECUTIVE DIRECTOR OF THE EUROPEAN UNION AGENCY FOR THE OPERATIONAL MANAGEMENT OF LARGE-SCALE IT SYSTEMS IN THE AREA OF FREEDOM, SECURITY AND JUSTICE (eu-LISA) AT GRADE

AD14 (TA)

(PERS(2022) 77 TO /3)

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

- to approve the list of three candidates, presented in order of merit, set out in point 4 of PERS(2022) 75, for the post of Executive Director of the European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) in DG Migration and Home Affairs, and to consider this list as the Commission proposal;
- to ask the Member of the Commission responsible, Ms JOHANSSON, to communicate this decision to the Management Board of the European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA).

These decisions would take effect immediately.

7.5. DG MIGRATION AND HOME AFFAIRS – ADOPTION OF A LIST OF CANDIDATES FOR THE POST OF EXECUTIVE DIRECTOR OF THE EUROPEAN BORDER AND COAST GUARD AGENCY (FRONTEX) AT GRADE AD14 (TA)

(PERS(2022) 78 TO /3)

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

- to approve the list of three candidates, presented in alphabetical order, set out in point 5 of PERS(2022) 75, for the post of Executive Director of the European Border and Coast Guard Agency (FRONTEX);

- to ask Ms JOHANSSON, the Member of the Commission responsible, to communicate this decision to the Management Board of the European Border and Coast Guard Agency (FRONTEX).

These decisions would take effect immediately.

**8. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – COMMUNICATION ON ORIENTATIONS FOR A REFORM OF THE EU ECONOMIC GOVERNANCE FRAMEWORK
(COM(2022) 583 TO /3; RCC(2022) 205)**

The PRESIDENT introduced the item on the Commission's orientations for a reform of the EU economic governance framework. While the current framework set out in the Stability and Growth Pact had evolved over time to address certain weaknesses, it had also become more complex. Not all the instruments and procedures had stood the test of time, and this had undermined national ownership and enforcement.

The general escape clause had been triggered at the beginning of the pandemic in 2020, and the Commission had been working tirelessly for a year to deactivate the clause, while seeking a new consensual model for implementing the Stability and Growth Pact. In that regard, she noted the many lessons learned from managing NextGenerationEU, which had fed into the current proposals for reforming the economic governance framework. Finally, she asked the Commissioners concerned to present the details of the proposals.

First of all, Mr DOMBROVSKIS pointed out that thirty years previously, the Maastricht Treaty had already recognised the need for sound public finances and

coordinated fiscal policies – objectives which had remained valid over time. However, since the 1990s several revisions of the legislative framework had been necessary to take account of the changing and complex contexts and circumstances, especially following the 2008 financial crisis. After a slow recovery from that crisis, the EU had been confronted with severe economic shocks caused first by the pandemic and then by Russia's war of aggression against Ukraine.

Over the previous decade, public debt had remained high in some Member States, good economic times had not been used to build fiscal buffers, the rules had become too complex and the composition of public finances had not become friendlier to growth or investment in the green and digital transition.

The orientations for reforming the system of economic governance therefore addressed the new realities and challenges facing the EU. The Commission proposed a simpler system of fiscal rules, with greater country ownership and more latitude for debt reduction, but combined with stronger enforcement. The reference values enshrined in the Treaty remained unchanged: 3% of GDP for the public deficit and 60% for the debt ratio.

For Mr DOMBROVSKIS, the question was how each Member State could ensure public debt sustainability and growth-enhancing reforms and investment. Each Member State should combine those elements in a 4-year fiscal structural plan, indicating how it would achieve a gradual and sustained reduction in public debt or keep it at prudent levels.

To that end, the Commission drew a distinction between countries with a substantial public debt challenge and those with a moderate public debt challenge in order to determine how quickly they should reach the target. The 1/20th rule on annual debt reduction beyond 60% would be scrapped and Member States could opt for a longer and more gradual adjustment path, between 4 and 7 years, in return for additional structural reforms and investment to boost fiscal sustainability and sustainable growth.

Each Member State would have to stick to its fiscal structural plan once it had been approved. The EU would carry out continuous monitoring based on a single indicator: net primary expenditure. If a Member State failed to comply, it would be subject to stronger enforcement mechanisms. This would apply especially to countries facing substantial public debt challenges, for which the excessive deficit procedure would be triggered by default.

Mr DOMBROVSKIS said that the Commission would also use a notional control account to keep track of deviations, so as to avoid small annual deviations adding up to large deviations over several years. Effective use of financial sanctions would also be ensured by lowering the amounts involved, so that sanctions could instead act as a signal, while the opening and closing of the debt-based excessive deficit procedure would be facilitated.

Lastly, the Commission's orientations went beyond fiscal rules and also aimed to make the macroeconomic imbalance procedure more effective.

Mr DOMBROVSKIS concluded his presentation by explaining that the orientations were addressed to the Member States, the European Parliament and stakeholders, and that the Commission would wait for their feedback. If a consensus emerged, the Commission would take practical steps to implement the new approach in the course of the following year. In the meantime, the Commission would continue to monitor Member States' fiscal policy and implementation of the country-specific recommendations under the autumn 2022 and spring 2023 European Semester.

Mr GENTILONI stressed the sensitivity of these proposals in times of geopolitical and economic crisis and the potential of the orientations to respond to current challenges. The EU had a significant need for investment to achieve all the requisite transitions: green, digital, social, common defence and competitiveness. The current challenges had to be specifically addressed in the context of EU and Member State sectoral policies, but the common framework of fiscal rules should help implement policies promoting stability and growth.

Mr GENTILONI then referred to the Stability and Growth Pact, stressing that over the years it had not been implemented optimally and that some of its rules no longer matched current realities. New rules had also been gradually designed to allow for the necessary public investment, while the fiscal framework as a whole had become increasingly complex, especially with the use of unobservable variables.

He noted in this context that the only effective aspects of the Stability and Growth Pact before the general escape clause had been triggered in 2020 had been the clear limit of 3% of GDP for the public deficit and the Commission's power to interpret the rules and make recommendations to the Member States in that regard. On that basis, he described the three areas where a balance had been struck between the various requirements to be reconciled.

First, in order to ensure a balance between growth and stability, the Commission would ask for medium-term plans linking reforms and investment relating to the EU's political priorities and common goods, on the one hand, with the adjustment path for reducing public debt, on the other. Member States would therefore have additional time to reduce their debt if they had a good public spending composition for investment.

Secondly, he referred to the balance between national ownership and the new common EU framework, in particular to avoid selective interpretation of the rules. The Commission would put forward a reference adjustment path for Member States with substantial and moderate public debt challenges, which would serve as a reference for them to design their own medium-term fiscal trajectory as part of their fiscal structural plans.

Thirdly, there was a need for a balance between simplification and national ownership of rules, on the one hand, and monitoring their application, on the other. Ownership meant that each Member State would put forward its plan based on the reference provided by the Commission, and the plan would be discussed with the Commission and ultimately approved by the Council. In terms of simplification, a

single operational indicator based on the evolution of primary expenditure would be used to carry out annual fiscal surveillance, which would considerably simplify the framework and increase transparency. This would allow stronger EU enforcement and use of reasonable sanctions where appropriate, such as when a Member State deviated from its own plan. It would also be easier to trigger the excessive deficit procedure if a Member State deviated considerably from its plan and to close the procedure if the Member State corrected its course.

Mr GENTILONI pointed out, however, that there were exceptions to the rules: a country-specific escape clause was introduced for large-scale events that made it impossible to comply with the plan, while the EU's general escape clause was better defined.

In conclusion, he made some remarks of a political nature. He began by explaining that the Commission's orientations aimed for a rapid political process for reforming the economic governance framework. The EU needed a common framework to tackle the current multiple crises, which meant putting forward targeted proposals to amend current legislation.

Referring to the discussion on a possible central fiscal capacity, a subject raised by almost all the European and international institutions involved in the public consultation, Mr GENTILONI said that at that stage the Commission had not wanted to add it to the proposals on the regulatory framework because of its controversial nature.

Lastly, Mr GENTILONI drew attention to the fact that the Commission was taking political responsibility by putting forward the proposals since, although they were the result of broadly convergent views among Member States, some differences remained. In his view, that day's orientations could facilitate the discussion among Member States with a view to reaching an agreement, which the Commission would continue to play a key role in.

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

- full support for the orientations, which would help conserve unity, responsibility and solidarity among the Member States at a time of rising interest rates, hence the need to reach a swift political consensus in the Council;
- the need for all Member States to have budgets allowing them both to reduce debt and to ensure sustained investment in the twin green and digital transition, while taking into account their specific capacities and constraints;
- for some, the need to follow a more restricted approach so as to reach an agreement on how economic governance rules were interpreted and implemented by all Member States;
- for others, the political advisability of continued work on the future architecture of Economic and Monetary Union, focusing on the Banking Union, the Capital Markets Union and the possible introduction of a central fiscal capacity;
- a specific reference to this central fiscal capacity as a fundamental anti-cyclical instrument which could bring Member States' fiscal trajectories closer together, strengthen the EU's credibility and help preserve the 'triple A' rating of its common debt;
- the delicate balance to be struck between the reference adjustment paths to be proposed by the Commission and efforts to improve national ownership of the common fiscal framework;
- the particular attention to be paid to the macroeconomic imbalance procedure, which in the past had led to asymmetric effects on Member States in terms of trade balance and tax revenues;

- the question of the potential pro-cyclical effects of certain sanctions, especially the announcement of a possible cut in cohesion funds, which were the main source of public investment in some countries;
- support for lighter sanctions than in the past, which would help strengthen the credibility of the rules and procedures, and boost confidence in the successful implementation of the new fiscal framework;
- the possibility, however, that lighter sanctions could be interpreted as a disincentive for Member States to reduce their debt;
- the importance, therefore, of investing in communication to explain to the general public and financial markets the need for new common rules tailored to the situation in the different Member States, and the specific role of sanctions in this regard;
- the need to maintain the link between fiscal rules and the European Semester to ensure a consolidated approach in the Commission's recommendations, taking into account Member States' economic, social and environmental policies.

In response to questions and comments during the debate, Mr GENTILONI clarified that there were no disincentives, since the measures planned for highly indebted Member States were much more ambitious than for the others. To avoid any misunderstanding of the role of sanctions, he suggested that in communicating with the public it should be explained in terms of strengthening the mechanisms for enforcing the new rules. He also felt that the financial markets were more sensitive to the credibility of a public debt reduction path than to the exact amounts involved. Lastly, he pointed out that a central fiscal capacity and macro-conditionality could be examined by the Commission at a later stage, if such a need emerged from the political debate on the orientations presented that day.

Mr DOMBROVSKIS explained that the differentiation between Member States according to the challenge posed by their debt meant that countries with a

substantial public debt challenge had to reduce their debt more quickly while countries with a moderate public debt challenge could do so more gradually. He noted that the Commission had made it clear from the outset that a central fiscal capacity had not been part of the exercise. The EU currently had fiscal capacity in the context of NextGenerationEU, which was monitored under the European Semester.

The PRESIDENT wound up the debate by noting full support from the College for the proposed orientations. She thanked Mr DOMBROVSKIS and Mr GENTILONI, as well as the members of the cabinets and departments concerned, for their work.

Following these presentations, the Commission approved the Communication in COM(2022) 583/3 for transmission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments.

- 9. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING AN INSTRUMENT FOR PROVIDING SUPPORT TO UKRAINE FOR 2023 (MACRO-FINANCIAL ASSISTANCE +)
(COM(2022) 597 AND /2; RCC(2022) 213)**
- 10. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EU, EURATOM) 2018/1046 AS REGARDS THE ESTABLISHMENT OF A DIVERSIFIED FUNDING STRATEGY AS A GENERAL BORROWING METHOD
(COM(2022) 596 AND /2; RCC(2022) 213)**
- 11. PROPOSAL FOR A COUNCIL REGULATION AMENDING COUNCIL REGULATION (EU, EURATOM) 2020/2093 OF 17 DECEMBER 2020 LAYING DOWN THE MULTIANNUAL FINANCIAL FRAMEWORK FOR**

THE YEARS 2021 TO 2027**(COM(2022) 595; RCC(2022) 213)**

By way of introduction, the PRESIDENT explained that the aim of the budgetary support package for Ukraine was to ensure the country's financial survival. Under the last macro-financial assistance (MFA) programme for Ukraine, the European Union had committed to providing EUR 9 billion to support the Ukrainian economy. Under the EU's new desired approach for 2023, a minimum budget of EUR 1.5 billion per month would be guaranteed, i.e. EUR 18 billion over a whole year. She noted that this approach could encourage the EU's international partners to follow suit. She invited Mr DOMBROVSKIS, Mr HAHN and Mr GENTILONI to present the proposed measures to the College.

Mr DOMBROVSKIS stressed the scale of the economic and financial impact of Russia's war of aggression against Ukraine. The International Monetary Fund (IMF) forecast that the Ukrainian economy would contract by 35% by the end of 2022, with inflation set to reach 30%. Ukraine's financial deficit was estimated at between EUR 3 and 4 billion per month.

Russia's recent escalation of the war, systematically targeting Ukraine's critical infrastructure, meant that the country's short-term financing needs would be even higher than expected. The supplementary 2022 budget that Ukraine had recently introduced reflected the intensification of the conflict and pointed to an increased funding gap in the fourth quarter. If this deficit was not covered, the financial strains would be even more acute at the start of next year.

Mr DOMBROVSKIS felt that the EU needed to intensify coordination with its international partners and allies – especially the G7, the IMF and international financial institutions – for the next steps to be taken in 2023 and beyond, to make sure everyone contributed to supporting Ukraine.

Mr DOMBROVSKIS explained that there could be three angles for providing to Ukraine the financial support needed: (i) emergency funding to make social

payments from its budget; (ii) repair of critical infrastructure and preparation for winter; and (iii) longer-term reconstruction. The package of measures presented was focused on emergency funding that would give Ukraine immediate help and ensure predictable and stable financial support for next year.

The proposal aimed to establish a macro-financial assistance (MFA+) instrument which would provide EUR 18 billion of loans for 2023. These were highly concessional loans with long maturities of 35 years and a 10-year grace period. The Member States were invited to cover the interest rate for this financial assistance in addition to their regular budgetary contributions, based on their respective GNI shares. Unlike 'traditional' macro-financial assistance, this was an instrument tailored to the wartime situation, was not linked to the current IMF programme and provided a much bigger amount.

The conditionalities and assessment of progress would be determined before payments were made. The financial support would be used to address the immediate needs of Ukraine and its citizens, in particular the rehabilitation of critical and vital infrastructure such as energy infrastructure, water systems, transport networks, internal bridges, and roads. The EU would continue to ask for further institutional reforms, such as action against corruption and respect for rule of law, as well as preparation for reconstruction efforts and integration within the Single Market.

He noted that all the conditions would be discussed with Ukraine as soon as the proposal was adopted, to ensure their relevance and feasibility, pointing out that implementing a structural reform agenda in a country at war was not easy.

Mr DOMBROVSKIS stated that quick decision-making by the co-legislators, with signature and publication in December, would enable the Commission to make a first disbursement as early as January 2023. The payments would amount to EUR 1.5 billion per month on average, which represented a sizeable part of Ukraine's monthly financial deficit. A total of EUR 3 billion remained to be financed from the EUR 9 billion package which had been announced on 18 May and

backed by the European Council on several occasions. His recommended practical solution was to apply a larger disbursement in January from the 2023 package.

Finally, he reported from the previous day's meeting of the Economic and Financial Affairs Council (ECOFIN), at which all Member States except Hungary had supported this approach and recognised the need for quick adoption by the co-legislators.

Mr HAHN then explained that, to finance the loans, the Commission would borrow on financial markets on behalf of the EU. The borrowing would be guaranteed by the EU's budget headroom, i.e. the difference between the own resources ceiling and the ceilings of the Multiannual Financial Framework (MFF). The possibility of using the guarantee of the headroom would be limited geographically to Ukraine, as well as in time, with a final deadline of March 2024. This approach was already used for the provision of financial assistance in the form of loans to Member States. A targeted amendment of the MFF Regulation would be proposed to allow Ukraine to be included in this mechanism.

The advantage of using the headroom as a safety net for the loans to Ukraine was that there was no need to constitute individual guarantees for each Member State, which would be procedurally more complex and financially less sound for an ambitious programme. Funding for the loans would be organised through the diversified funding strategy, currently implemented for borrowings under NextGenerationEU. This gave more flexibility to arrange the loans independently of the borrowing timetable, thus making the loan structure more attractive.

The central liquidity pool, which was a core feature of the diversified funding strategy, could be drawn upon as a first resource to make rapid payments to Ukraine when urgently needed, ensure payments to EU bond investors in all eventualities and provide additional safeguards to the EU budget. This strategy made it possible to organise all EU loans efficiently under a single funding programme, thus boosting investor demand for more liquid EU bonds and allowing all EU loans to be

priced on more advantageous terms to the benefit of all who had to bear the costs of EU issuances.

Mr HAHN stressed that the costs of issuances borne by the Member States were not included in the calculation of the national indebtedness rate, and that the proposal would have no budget impact next year as interest payments would only start in 2024. Moreover, even applying a very conservative estimate for the costs of the borrowing (3.5% interest for 15-year maturity bonds), the total financial cost would be EUR 630 million for the whole year, spread among the Member States according to their GNI.

To allow implementation of the diversified funding strategy, it was proposed that a very narrowly framed single new provision be added to the Financial Regulation.

Turning to the reform agenda and conditions underpinning the instrument, he stressed the importance of feasibility and of taking into account the evolution of the situation on the ground. The reforms would aim in any event to strengthen the rule of law, good governance, and anti-fraud and anti-corruption measures in Ukraine. Moreover, policy conditions would be increasingly geared towards strengthening Ukraine's institutions and preparing the ground for a successful reconstruction effort as well as supporting Ukraine's efforts on its European path. A review clause would make it possible to adapt the conditionality at a later stage if needed.

Mr HAHN emphasised the importance of a rapid legislative procedure in the Council and the Parliament. At the previous day's ECOFIN meeting, many Member States had said that they would like to have the package adopted within a month, i.e. at the ECOFIN meeting on 6 December. He stressed the importance of making a first disbursement in January, given that the Ukrainian authorities' major concern was meeting funding needs in the early weeks of 2023.

Mr GENTILONI stated that the proposal came at the right time and recalled the difficult economic situation in Ukraine, which was nonetheless managing to keep its essential services running. It sent a strong message both to financial markets on

Ukraine's financial stability and to the EU's partners on the European contribution to support for Ukraine.

An assessment of the macro-financial support granted between 2010 and 2020 would be published at the end of the month. He also emphasised the other macro-financial assistance mechanisms, which should not be ignored. Finally, he noted that the draft agreement was different for this MFA+ and that it was a crucial element that committed the Ukrainian authorities to macro-financial stability, the reform agenda and the rehabilitation of essential state functions.

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

- the strong support for the proposals and the crucial importance of continued, predictable financial support for Ukraine;
- the EU's consequential efforts up to now to support Ukraine in financial, military, humanitarian, commercial and civil protection terms, which would need to be accompanied by a faster and more reliable disbursement process;
- reaffirmation of unwavering support for Ukraine, and the importance of keeping unity within the EU;
- the need to work with the EU's international partners, particularly at the level of international financial institutions and the G7, which were less directly affected economically and politically by Russia's war in Ukraine but should nonetheless lend their full support;
- the impressive running of the Ukrainian State in the current circumstances, with a functional public service despite the war situation, and the importance in this context of supporting access to basic services for citizens and avoiding a governmental collapse;

- Russia’s targeted attacks on Ukraine’s energy infrastructure, which was 40% damaged, and the urgent requirements of the energy sector not only in financial terms but also logistically, given the difficulty of finding and transporting the necessary equipment; the air defence needed to avoid Russia destroying infrastructure every time it was rebuilt;
- the possibility for willing EU undertakings to lend their support for Ukraine’s urgent needs, in the coming days and weeks before the implementation of the MFA+;
- the reconstruction of Ukraine, which should be examined now and undertaken seriously in cooperation with international partners;
- the necessary conditions that came with the financing, in particular the progress required on reforms;
- the importance of accelerating investments, including in countries not directly affected by Russia’s war in Ukraine, to boost economic growth and jobs in the Western part of Ukraine.

The PRESIDENT wound up the discussion by emphasising the immense efforts of Europeans to support Ukraine in a wide range of areas, such as macro-financial assistance, hosting refugees, support for displaced persons within the country, humanitarian and civil protection assistance, as well as the ‘solidarity lanes’, in a context in which European countries were more affected by Russia’s war than the EU’s international partners. She nonetheless highlighted the United States’ important contribution to the defence of Ukraine, and the importance of recognising the contributions made by all parties.

Following these presentations, the Commission:

- approved the proposal for a Regulation in COM(2022) 597/2, for transmission to Parliament, the Council and the national parliaments;

- adopted the proposal for a Regulation in COM(2022) 596/2, for transmission to Parliament, the Council, the Court of Auditors and the national parliaments;
- adopted the proposal for a Council Regulation in COM(2022) 595, for transmission to the Council, Parliament and the national parliaments.

**12. JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – ACTION PLAN ON MILITARY MOBILITY 2.0
(JOIN(2022) 48 AND /2; RCC(2022) 207)**

**13. JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL – EU POLICY ON CYBER DEFENCE
(JOIN(2022) 49 AND /2; RCC(2022) 207)**

Mr BORRELL began by stressing that the Communications presented that day dealt with two key issues that had become increasingly important in the context of Russia's war of aggression against Ukraine and that were also essential components of the Strategic Compass: military mobility and cyber defence.

He first talked about the Action Plan on military mobility, emphasising that it was fundamental for European security, as had become clear when troops had been moved across Europe or military equipment delivered to Ukraine.

The proposed plan built on the progress made since the first Action Plan in 2018, expanding the scope of the two existing pillars (infrastructure and regulatory issues) and adding two new pillars (preparedness and resilience, and partnerships).

Mr BORRELL then mentioned some of the new aspects of the Action Plan. First, the military requirements update, including the fuel supply chain. Second, the role of the with regard to regulatory issues and preparedness. The European Defence Agency would take forward projects on cross-border movement permissions, the development of a digital network for smart logistics, and support provided to

Member States to develop strategic transport capabilities. Third, the partnership dimension, where military mobility remained a cornerstone of cooperation between the EU and the North Atlantic Treaty Organization (NATO). This issue would be raised systematically in the bilateral talks held with key partners, such as the United States, Canada and Norway.

Mr BORRELL noted that proposals were also being put forward to enhance dual-use connectivity with Ukraine and Moldova and to promote dialogue with regional partners, such as in the Western Balkans. In addition, the Action Plan complemented Member States' already ongoing activities, including through different projects under the Permanent Structured Cooperation (PESCO).

In short, he considered that the main objective was still that of building a well-connected military mobility network, with shorter reaction times and based on secure, sustainable and resilient capabilities and infrastructure.

As regards cyber defence, he stated that cyberattacks were growing in number and magnitude and that cyberspace had clearly become a domain of warfare. The EU therefore had to strengthen its ability to detect, dissuade and defend against cyberattacks to better protect its citizens, armed forces and Common Security and Defence Policy (CSDP) missions.

Mr BORRELL underlined that the new policy was built around four pillars: (i) acting together for a stronger EU cyber defence, (ii) securing the EU defence ecosystem, (iii) investing in EU cyber defence capabilities, and (iv) working with international partners, the common thread across all four pillars being better cooperation between military and civilian players.

He provided more detail on three key points. First, he referred to the development of military cooperation structures and mechanisms to improve detection, preparedness and response. He pointed out that, while such mechanisms already existed on the civilian side, they were still lacking or insufficiently developed on the military side. For this reason, it was proposed to create an EU Cyber Defence Coordination

Centre, to enhance common situational awareness within the defence community in support of CSDP missions and operations.

In addition, an operational network of Military Computer Emergency Response Teams (MilCERTs) would be set up and an EU Cyber Commanders Conference developed. The European Defence Agency and the EU Military Staff would play a key role in these initiatives. These structures and mechanisms would mirror those that already existed on the civilian side and at the same time forge links between the two sides.

Second, Mr BORRELL pointed out that more investment was needed in cyber defence capabilities and that Member States should be urged to increase their investment in modern cyber defence capabilities. To this end, full use should be made of EU instruments, such as PESCO, the Coordinated Annual Review on Defence (CARD) and the European Defence Fund, without forgetting the need to address the gaps in the cyber defence workforce through training, education and exercises.

Third, he mentioned the partnership dimension, recalling that, since cyber threats were cross-border in nature, the EU had to work with its partners, for example by strengthening cooperation not only with NATO but also with other like-minded countries or organisations. The EU would also continue to support its partners in cyber defence capacity building, in particular through the European Peace Facility, as had already been the case in Ukraine, Moldova and Georgia.

Mr BORRELL concluded by emphasising that Member States' buy-in would be crucial and that, at the same time, it was clear that the EU had real added value – through the pooling of its instruments and expertise – to contribute towards a stronger EU cyber defence.

Ms VESTAGER considered that, in many areas, such as transport and cyber, the division between military and civilian had become blurred and that the Commission

could do a great deal by coordinating the action of the Member States and using the instruments available to it.

Ms VESTAGER pointed out that, as a result of the experience gained in recent years from combating threats to European security and, in particular, in the past few months from the war in Ukraine, three key lessons could be drawn. First, defending European infrastructure and civilian networks had become crucial, as the external threats to EU security became more and more complex. Second, if the implications for the defence of what the EU was building on the civilian front were not taken into account, this would lead to vulnerabilities and slower reaction times when crises arose. Third, the dual use of instruments and technologies meant that the EU did a lot more with the tools already at its disposal, for example by targeting its financial and political instruments in such a way as to also benefit European defence.

With regard to the Action Plan on military mobility, she noted that the EU benefited from the free movement of goods, services, people and capital, but that, for very good reasons, there was no free movement of military personnel and equipment. She nevertheless considered that, in times of crisis, the EU should be able to guarantee a sufficiently quick reaction and ensure that an effective military response was not blocked or delayed by bureaucracy or a lack of appropriate infrastructure.

Ms VESTAGER stressed that enormous progress had been achieved since the drafting of the first Action Plan in 2018, particularly as regards the integration of military needs in the Trans-European Transport (TEN-T) networks, the existence of a budget for modernising infrastructure, the exemption from value added tax and the simplification of procedures.

The war in Ukraine had shown that more needed to be done, however, and she welcomed the fact that the new Action Plan had taken on board the lessons of this experience and had raised the EU's ambition in a tangible and specific way. The Action Plan's scope had been widened to incorporate concepts such as fuel supply

chains, strategic air transport and the digitalisation of all the systems needed to manage military movements.

Ms VESTAGER then turned to cyber defence policy, stating that the document presented was not only about the digital protection of military assets but also about addressing wider vulnerabilities that could have an impact on a Member State's army, as had been the case with the cyberattack on Viasat satellites during the war in Ukraine. The lessons of that experience therefore had to be learnt by examining potential dual-use infrastructure, such as 5G networks that were also used by the military.

She pointed out that the Communication defined the EU's coordination and support role for building capacity and competence and boosting research, on the basis that cyber technologies and expertise were by definition of dual use. In conclusion she stressed that, as the war in Ukraine had shown, the private sector could make all the difference when it came to cyber defence.

Mr SCHINAS spoke about cyber defence and cyber security, highlighting the importance of the cyber reserve of persons and experts that could be mobilised for particular situations – an initiative that had proven its worth in Ukraine. He also welcomed the setting up of a Cyber Skills Academy, which would serve both as a platform and as a cross-cutting centre of excellence for certifying the provision of cyber security skills, which were currently fragmented within the EU.

Ms VĂLEAN referred to the pillar on transport infrastructure set out in the Action Plan on military mobility. She pointed out that, when the discussions had started under the first Action Plan in 2018, they had had to start from zero, because there had been no transport cooperation with the military at EU level up until that point. This had led to a better understanding of military transport needs, achieved by comparing EU military maps with civilian TEN-T maps and trying to reduce the gap between them.

In parallel, an agreement had been reached on common standards that worked for both military and civilian infrastructure use. This was the result of impressive efforts undertaken in recent years in close cooperation with the NATO military staff, the European External Action Service (EEAS) and EU military personnel.

Ms VĂLEAN also announced that the Commission had launched a first call for proposals to finance military mobility infrastructure projects with a budget of EUR 1.6 billion allocated through the Connecting Europe Facility (CEF) under the Multiannual Financial Framework 2021-2027. A total of EUR 339 million had already been allocated to 24 dual-use transport infrastructure projects. A second call for proposals, for which 63 projects had been submitted for a total of EUR 1 billion in funding, was currently under evaluation. Although the selected projects would be announced in December 2022, she did not think that the available budget was enough to meet the needs in the current geopolitical context.

She emphasised that, under the new Action Plan, it would be essential to identify the most important and urgent measures that could be financed with the limited resources available. NATO would contribute to the setting of priorities by outlining the military transport corridors and logistics centres that would enable troops and military vehicles to be deployed quickly. The Commission, in cooperation with the EEAS, would also conduct a study to identify potential large-scale and short-notice troop movements, which would help determine the improvements needed, especially in terms of supplying fuel to troops deployed in the field.

Ms VĂLEAN concluded by pointing out that it was also important to find air traffic management synergies under the Single European Sky regulations and reduce the certification cost of aircraft components, which were currently different for military and civilian aircraft.

Mr BRETON began by reminding the meeting that military mobility was an essential component of Europe's ability to defend the continent. With the return of high-intensity conflicts on the European continent, this component would have an

even more strategic nature in terms of collective defence and preservation of the EU's territorial integrity. It was also a cornerstone with regard to NATO, since military mobility in Europe was an important topic for the EU's allies, neighbours and candidate countries.

Mr BRETON noted that much had already been done, since the first Action Plan in 2018, to take account of military requirements and specifications, particularly in transport infrastructure and procedures.

More than EUR 300 million of investment had been made to upgrade European infrastructure, but it was now important to pick up the pace. For this reason, the Action Plan focused on three major areas aimed at (i) consolidating multimodal transport corridors and logistical hubs to ensure that they all met defence requirements, including with regard to the supply of hydrocarbons, (ii) continuing to simplify regulatory measures in order to be more responsive to crises and enable rapid border crossings, in particular by using new digital tools, and (iii) improving the European Union's resilience and preparedness by protecting strategic transport infrastructure against security risks.

Mr BRETON added that the acquisition of stakes in critical infrastructure for military mobility was crucial, especially in ports and airports, but they needed to be monitored in order to ensure European strategic autonomy in military mobility.

Furthermore, the use of space assets was encouraged for better anticipation (through the Galileo Public Regulated Service (PRS)), to monitor strategic corridors (Copernicus programme), and to ensure secure exchanges through connectivity.

With regard to cyber defence policy, cyber was recognised in the Strategic Compass, along with space, air and maritime, as one of the new strategic fields in which challenges were constantly emerging. For this reason, the EU would continue to develop its cyber defence, cyber resilience and cyber security initiatives.

The cyber threat was now very intense, even if cyberattacks from Russia were currently limited to the attack on the company Viasat. The war in Ukraine had nevertheless greatly increased awareness amongst the Member States of the need for more cooperation at European level; there was therefore a high level of ambition in this area within the Strategic Compass.

Mr BRETON noted that the EU's cyber defence policy was aimed at protecting against, detecting, deterring and defending against cyberattacks, and highlighted two specific features in the cyber field. On the one hand, the dividing line between the civilian and military dimensions of cyber was blurred, further justifying intervention at EU level, as the EU had more power to build bridges between the civilian and military spheres. On the other hand, few Member States were equipped to deal with these threats, meaning that greater defence cooperation could be envisaged from the outset.

This would require work structured around four pillars.

The first pillar involved better organisation of the cyber defence community; this was a major requirement as the military cyber community was currently neither structured nor organised at European level, whereas the civilian and security fields were already well advanced, thanks in particular to the adoption of the revised 'NIS' Directive on network and information system security in critical and sensitive infrastructures. Mr BRETON noted that the proposal was inspired by what had been achieved in the civilian sector, by creating mirror structures/authorities for cyber defence, and emphasised that what was being proposed was a structural change in the functioning of cooperation at EU level.

The second pillar consisted of developing synergies between defence and security to improve detection, develop resilience and encourage solidarity. To strengthen European cyber defence, cyber security should be strengthened. In order to improve the analysis of threats, it was therefore proposed that a European infrastructure of Security Operation Centres (SOC) be set up, enabling faster detection of weak

signals indicating attacks, and based on a network of national and European centres, with a defence pillar. Work was under way to evaluate risks associated with essential entities operating critical infrastructure through ‘penetration tests’. A European cyber reserve would also be set up to enable rapid mobilisation of trusted private providers in the event of a crisis. These elements would take the form of a legislative act (‘EU Cyber Solidarity Act’), which would be presented in the coming months.

The third pillar concerned investment in cyber defence capabilities, accelerating their development in the EU, particularly through European Defence Fund projects. For greater effectiveness, a road map was being drawn up to plot and reduce European strategic technological dependencies. In addition, a Cyber Skills Academy would be set up to increase the skills available in the EU.

Mr BRETON concluded his presentation with a mention of the fourth and final pillar, which was based on partnerships. In the field of cyber defence, cooperation with the EU’s allies was essential, in particular with the United States.

Following these presentations, the Commission, on a proposal from the PRESIDENT, agreed that the Joint Communications currently set out in JOIN(2022) 48/2 and JOIN(2022) 49/2 would be formally approved by finalisation written procedure, the deadline for which was set at 10.00 on Thursday 10 November 2022 (PE/2022/8114 and PE/2022/8135).

14. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – ENSURING AVAILABILITY AND AFFORDABILITY OF FERTILISERS (COM(2022) 590 TO /3; RCC(2022) 206)

Mr TIMMERMANS introduced the Communication presented to the Commission that day, explaining that it was intended to provide solutions to the problem of fertiliser availability and high prices. Fertilisers played an important role in food security, and their production and cost were largely dependent on natural gas. Following Russia's invasion of Ukraine, a global mineral fertiliser and energy crisis was now weighing on food security and food prices across the world.

Action could be taken on three fronts to address the current challenges confronting EU farmers and industry. First, fertilisers could be made more affordable by increasing efficiency of use and reducing nutrient loss by 50%. Second, the transition to more environmentally friendly fertilisers had to be speeded up and production of green ammonia using renewable energy increased, through REPowerEU and the Temporary Crisis Framework for State Aid. Third, it was essential to act at global level, as the EU and its Member States were not the only ones concerned.

Mr WOJCIECHOWSKI mentioned the broad socio-economic implications and geopolitical consequences of the recent deterioration in the fertiliser situation, mainly due to soaring gas prices. Gas accounted for 90% of the variable cost of the sector; in this context, 70% of ammonia production capacity had been shut down in August that year, when the price of gas was at a record high. Capacity usage was currently at around 50%.

In this context, the Communication struck a good balance between immediate and long-term action, nationally and internationally. It addressed a complex set of issues, such as concerns about food security at both EU and global level, the concept of strategic autonomy, and pressing ahead with the EU's environmental and climate objectives.

Mr WOJCIECHOWSKI noted more specifically that the Communication informed Member States that they could prioritise continued and uninterrupted access to natural gas for fertiliser producers. The Temporary Crisis Framework for State Aid

enabled specific support for farmers and fertiliser producers, with the potential to extend this targeted aid beyond the currently low share of aid authorised for the sector.

The Communication provided that funds generated by measures such as the cap on market revenues of certain electricity producers and the solidarity contribution provided for in EU legislation could also be used, subject to certain conditions.

In collaboration with the Member States, the possibility of using the agricultural crisis reserve, worth EUR 450 million, was also being examined.

The Commission would examine with the Member States how best to use the Common Agricultural Policy (CAP) strategic plans to address the fertiliser situation, particularly by helping farmers to use fertilisers more efficiently.

Furthermore, the objective was to improve the transparency of the EU fertiliser market through a new market observatory, to be established in 2023.

To promote the EU's open strategic autonomy and ensure the security of its food supply, the Commission would promote (i) better access to organic fertilisers, (ii) support for ammonia produced using renewable sources and fossil-free hydrogen, (iii) a stable and workable regulatory environment governing the production of renewable and low-carbon hydrogen, and (iv) import diversification to reduce dependence on Russia.

Mr WOJCIECHOWSKI concluded by noting that the Communication also provided for continued cooperation with EU partner countries, the United Nations agencies and international financial institutions, with regard to the global fertiliser challenge.

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

- the College's support for an initiative described as essential and timely;

- awareness of the fact that the agricultural sector was struggling because of high fertiliser prices, posing a risk to food security globally;
- the observation that high fertiliser prices were primarily linked to high prices for gas, which was needed for fertiliser production;
- in this context, agreement that the EU was not responsible for shortages and high prices of fertilisers at global level;
- the importance of compensating farmers faced with high fertiliser prices;
- the fact that high fertiliser prices necessitated increased efficiency in their use;
- the importance of assessing the level of profits in the fertiliser sector;
- with regard to the suspension of import duties for nitrogen fertilisers, a mention of the fact that these were heavily subsidised in certain third countries, which could lead to new dependencies; the idea therefore of also supporting the European industry in order to remain competitive.

Following these presentations, the Commission approved the Communication in COM(2022) 590/3 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.

15. PROPOSAL FOR A COUNCIL REGULATION LAYING DOWN A FRAMEWORK TO ACCELERATE THE DEPLOYMENT OF RENEWABLE ENERGY

(COM(2022) 591 TO /3; RCC(2022) 211)

The PRESIDENT introduced that day's proposal for a Council Regulation by noting that, while gas storage levels were sufficient for the current year, this might not be

the case next winter, especially if demand from Asia were to increase as a result of changes to China's zero-COVID policy.

The current energy crisis provided an opportunity to choose between continuing with the EU's dependence on fossil fuels or making greater use of renewable energy. Thanks to recent investments, in 2022 Europe had almost doubled the amount of renewable energy it produced compared with the previous year.

The PRESIDENT said that the interinstitutional negotiations with a view to adopting the Renewable Energy Directive (RED II) were taking time, thereby delaying implementation in the Member States. The current proposal, which was based on Article 122 of the Treaty on the Functioning of the European Union (TFEU), was needed as an exceptional transitional measure in view of the current energy crisis and until the Renewable Energy Directive entered into force.

The PRESIDENT then asked Mr TIMMERMANS and Ms SIMSON to present the details of the proposal to the College.

Mr TIMMERMANS began by pointing out that the REPowerEU plan was based around three pillars: saving energy, finding alternatives to Russian gas, and speeding up the introduction of renewables.

As regards the latter point, the process of granting permits created a bottleneck, which was why that day's proposal sought to speed up that process. However, he stressed that granting these permits was not within the EU's remit nor was it covered by its environmental rules, since more often than not the process was determined by legal and procedural considerations in the Member States at national, regional and local level.

Lastly, Mr TIMMERMANS stressed that it was necessary to clearly communicate the fact that this was an emergency initiative, in order to take account of the European Parliament's position on the Commission's use of Article 122 TFEU as the legal basis.

Ms SIMSON also stressed that one of the greatest obstacles to developing renewable energy projects in Europe was the excessively long process of obtaining permits. Despite the statements of intent, little had changed in recent years and, even now, wind-power projects entering the authorisation process in 2024 would not be completed until 2030.

On average, the administrative procedures took seven years, which in her view was much too long. The current Commission had shown considerable determination to change this situation and help the Member States to overcome this administrative obstacle.

Last July, the Commission had addressed this issue in its proposal to revise the Renewable Energy Directive (RED II) as a means of delivering on a higher renewables target for 2030. However, progress had been very slow, as some Member States had still not transposed the provisions of the previous Directive into national law.

In May 2022, as part of the REPowerEU plan, the Commission had proposed to raise the EU's binding renewables target from 40% to 45% by 2030 and had drawn up a more robust framework for streamlining and speeding up the permit-granting process, without compromising on the EU's environmental protection objectives.

Ms SIMSON stressed that more renewables were needed in the EU's energy system, not just in the medium term, but right now, for the coming winter and the months ahead. Renewables would have to replace gas for heating and electricity as soon as possible.

She took the view that it was not possible to wait for the European Parliament and the Council of Ministers to conclude the negotiations on REPowerEU and for the Member States to then adopt national transposition measures. The Commission was that day tabling a proposal for a Regulation under Article 122 TFEU in order to fast-track the roll-out of technologies with the greatest potential for rapid deployment and to reduce gas consumption in the short term. She referred to the European

Council conclusions of 21 October, noting that EU leaders had called on the Commission to fast-track the process of simplifying permitting procedures and had even made reference to using Article 122 TFEU.

Ms SIMSON then gave an overview of the main aspects of the proposal.

First, under the proposal renewable energy plants would be deemed to be in the overriding public interest to ensure that projects were assessed on an equal footing with environmental protection requirements, in particular by national courts.

Second, it proposed to speed up the permit-granting process for the installation of solar-energy equipment on existing or future artificial structures. Permits should be granted within one month and no environmental impact assessment would be needed.

Third, the proposal set out easier and faster permitting procedures for repowering projects, whereby existing renewable energy assets were upgraded to use the most recent technology. In such cases, if an environmental impact assessment were required, it should focus only on the new elements of the project.

Lastly, the proposal set out a fast-track procedure for authorising the installation of heat pumps. The installation of heat pumps was to be encouraged, as they were the most cost-effective and efficient technology to produce renewable heating and cooling from ambient energy sources.

Ms SIMSON concluded by expressing hope that the proposal could be approved quickly by the Council, if possible at the extraordinary Transport, Telecommunications and Energy Council on 24 November.

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

- general support for the proposal;

- on the one hand, a reference to the risk of a legal challenge over the use of Article 122 of the Treaty on the Functioning of the European Union (TFEU) as the legal basis for the proposal;
- on the other hand, acknowledgement of the extraordinary circumstances that justified this proposal for a temporary emergency Regulation.

Following these presentations, the Commission adopted the proposal for a Council Regulation in COM(2022) 591/3, for transmission to the Council and, for information, to the European Parliament and the national parliaments.

16. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON TYPE-APPROVAL OF MOTOR VEHICLES AND ENGINES AND OF SYSTEMS, COMPONENTS AND SEPARATE TECHNICAL UNITS INTENDED FOR SUCH VEHICLES, WITH RESPECT TO THEIR EMISSIONS AND BATTERY DURABILITY (EURO 7), AND REPEALING REGULATIONS (EC) NO 715/2007 AND (EC) NO 595/2009 (COM(2022) 586 TO /3; SWD(2022) 358; SWD(2022) 359; SWD(2022) 360; SEC(2022) 397; RCC(2022) 208)

Ms VESTAGER presented to the College the proposal for a Regulation on new Euro 7 standards which, once adopted by the co-legislators, would reduce vehicle pollutant emissions and improve air quality.

The improvement in environmental standards took full account of industry's needs and capacities. In particular, the proposal provided for a substantial simplification of procedures, thereby reducing the administrative burden on businesses in the sector. Impact assessments had shown that implementation of the proposal would have a negligible impact on the price of vehicles, which would remain very much affordable.

Pollutant emissions had a significant human cost, as they resulted in almost

300 000 premature deaths each year. It was now known that the particles emitted by vehicles affected pregnant women and their foetuses.

In this context, the proposal for a Regulation struck a good balance for citizens and industry, and was a compromise which the Commission could be proud of as it kept Europe at the forefront of the fight against climate change while maintaining the competitiveness of its industry.

Mr BRETON pointed out that the automotive industry was undergoing a radical transformation towards decarbonised, cleaner and connected mobility.

In this context, a whole value chain was involved together with the automotive industry: tens of thousands of small and medium-sized enterprises (SMEs), as many as 13 million direct and indirect jobs, over 10 million vehicles sold each year and a positive trade balance of over EUR 80 billion.

Following the agreement reached by the co-legislators on ending CO₂ emissions already in 2035 for the sale of light-duty vehicles, Mr BRETON underlined the need to tackle other emissions, both for combustion engine cars that would continue to be placed on the market up to 2035, and for emissions from heavy-duty and electric vehicles.

It was in this specific context that the Commission was today presenting a new Euro 7 standard based on three main strands.

The first strand was the improvement of air quality, which formed the rationale behind the Euro 7 standard as this would reduce the NO_x emissions of light-duty vehicles by 35% and of heavy-duty vehicles by 56% by 2035. He went on to explain that the new standard would make it possible to improve emissions performances everywhere in Europe, not only in the richest regions, as new vehicles bought there often had a second or third life in poorer regions. In this regard, compliance of light-duty vehicles would be checked until they reach 200 000 km and 10 years of age, i.e. double the current durability requirements.

The second main strand of the proposed reform was its forward-looking approach and adaptability to technological development since the aim was to regulate emissions that would continue after thermal engines were phased out, generated in particular by vehicle brakes and tyres, which would soon become the main source of air pollution.

The focus on digitalisation would also ensure that vehicles were not tampered with and that emissions could be checked in real time, which was a clear example of synergies between the green and digital transitions.

Mr BRETON then turned to the last strand of the proposed reform, which was its affordability for citizens and European industry. The cost of implementing the Euro 7 standard was a vital issue for consumers. At around EUR 100 to EUR 150 per car, and a maximum of 3% of the price of heavy-duty vehicles, European consumers would be faced with only a very modest price increase and would therefore not have to delay the purchase of a new vehicle.

As for industry, he said that, with investments estimated at under EUR 2 billion per year, the proposal made it possible to strike a fair balance between cost and efficiency, whereas electrification would require at least ten times this investment. The planned simplification measures, in particular the removal of unnecessary or redundant administrative procedures, were another substantial benefit for European industry and consumers that would result from the reform.

Generally speaking, considerable benefits for health and the environment would accrue from the new standard, estimated at EUR 175 billion over the next 25 years and with an estimated cost of EUR 30 billion over the same period. Five euros in profits could thus be expected from every one euro invested in Euro 7.

Mr BRETON pointed out that some would criticise the Commission for being too ambitious and others for not being ambitious enough, which was why he felt that the proposal struck an ideal balance between the various interests concerned and the ambitious objectives to be achieved.

He concluded his presentation by saying that Europe had everything to gain from occupying this segment of the car market and producing the cleanest vehicles possible thanks to the technologies deployed when implementing the Euro 7 standard, so as to be able to export them after 2035 to regions of the world that continued to use them.

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

- the important signal sent to car manufacturers, laying down for the first time caps for particle emissions from brakes and tyres which, it was intended, would remain in force even after the planned phasing-out of thermal engines;
- the need to establish a parallel process when setting new standards for heavy-duty vehicles in the near future;
- the pertinence for European industry of anticipating market demands, particularly in cities and urban agglomerations, in terms of the supply of clean vehicles and, in particular, electric buses.

Following these presentations, the Commission, on a proposal from the PRESIDENT, agreed that the proposal for a Regulation in COM(2022) 586/3 would be formally adopted by the finalisation written procedure, the deadline for which was set at 10.00 on Thursday 10 November 2022 (PE/2022/8147).

17. OTHER BUSINESS

LATEST DEVELOPMENTS IN EXTERNAL RELATIONS

The PRESIDENT asked Mr BORRELL to brief the College on the latest developments in external relations.

Mr BORRELL began by referring to the mid-term elections held the previous day in

the United States, which would undoubtedly have an impact on transatlantic relations.

He then touched briefly on the results of the recent general election in Israel and the situation in Ethiopia as well as his recent visit to Uruguay then Argentina for the ministerial meeting between the European Union and the Community of Latin American and Caribbean States (CELAC).

He said that on numerous occasions he had noted a certain resentment on the part of emerging and developing countries towards Western countries, particularly in relation to the supply of COVID-19 vaccines. Although most of these countries generally voted with the EU at the United Nations, it should not be forgotten that perceptions were often more important than the actual figures.

Mr BORRELL ended by reporting on his recent visit to the United Arab Emirates where he had attended the international forum at Sir Bani Yas. He felt that it was vital to continue to engage in the ‘battle of narratives’ on Russia’s aggression against Ukraine with high-level dignitaries from the Gulf, the Middle East and developing countries. He also stressed the need for the EU to consolidate its relations with the United Arab Emirates and said that on this occasion he had been able to discuss, among other topics, Russia and Ukraine, Iran, regional issues and energy security.

The PRESIDENT pointed out that the EU had exported 2.5 billion vaccines and had made this unprecedented effort at a time of strong internal demand (1.5 billion had been distributed within the EU), which had required a gradual ramping-up of production. Moreover, Russia and China had only exported very small quantities of vaccines.

Mr LENARČIČ noted that, in setting up COVAX, the ‘vaccine’ pillar of the international initiative aimed at developing access to COVID-19 tools (ACT Accelerator), the EU had invested EUR 2.5 billion right from the outset. These vaccines had initially been ordered from an Indian laboratory but, following

the spread of the pandemic in India and the resulting ban on exports, it had been necessary to turn to other laboratories, which had taken time.

For her part, Ms JOHANSSON shed light on the increase in the flow of illegal migrants to the European Union. There had been a large increase in the Central Mediterranean, with over 90 000 illegal entries, a tenfold rise in the number of migrants entering via the 'Balkans route' compared with 2019 and a relative drop in numbers entering through Spain and the Canary Islands. Moreover, these entries were not linked to the war in Ukraine or the climate crisis, as the illegal migrants concerned came from countries whose nationals did not specifically require international protection.

In reply to a question from Mr REYNDERS, the PRESIDENT gave a brief presentation of the opening days of the COP27 conference in Egypt. She expected the negotiations to revolve around implementation of the decisions taken at the COP26 in Glasgow. In this respect, the message sent by the EU was that, despite the shadow cast by the war in Ukraine, things were moving in the right direction, for example in terms of procedures for authorising infrastructure for renewable energy generation, in line with the commitments in the European Green Deal.

She went on to say that the EU would contribute its full share of the USD 100 billion of funding to combat climate change, while the United States and China should strive to honour their commitments. On the question of 'loss and damage', it was important first of all to define this term precisely and to determine what level of funding was needed to address the issue. She ended by pointing to the successful climate policy initiatives adopted and implemented by the European Union.

In reply to a question from Ms FERREIRA, Mr BORRELL said that, on the basis of his discussions with Mr LULA DA SILVA, he felt that Brazil intended to return fully to the international stage and put an end to deforestation, particularly in the Amazon. Although the party of the former President, Mr BOLSONARO, still held a

majority in the Brazilian parliament and in a number of major regions, Mr BORRELL felt that Brazil could be a partner for the European Union on environmental issues. On the trade front, the key point would be to press ahead with ratification of the trade agreement concluded with Mercosur during the previous Commission's term of office.

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 12.48.