



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

**PV(2023) 2450 final**

*- English translation of the French version which is authentic -*

Brussels, 26 April 2023

# TEXTE EN

## MINUTES

**of the 2450<sup>th</sup> meeting of the Commission  
held in Strasbourg (Winston Churchill building)  
on Tuesday 14 March 2023 (afternoon)  
and  
in Brussels (Berlaymont)  
on Thursday 16 March 2023 (morning)**

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The 2450<sup>th</sup> meeting of the Commission was held in two parts:

- on Tuesday 14 March 2023, in Strasbourg, from 13.09 to 14.55;
- on Thursday 16 March 2023, in Brussels, from 9.13 to 12.01.

**First sitting: Tuesday 14 March 2023 (afternoon)**

The sitting opened at 13.09 with Ms von der LEYEN, President, in the chair.

Present:

|                        |                                         |                               |
|------------------------|-----------------------------------------|-------------------------------|
| Ms von der LEYEN       | President                               |                               |
| Mr TIMMERMANS          | Executive Vice-President                | Items 1 to 11                 |
| Mr BORRELL i FONTELLES | High Representative /<br>Vice-President |                               |
| Mr ŠEFČOVIČ            | Vice-President                          |                               |
| Ms JOUROVÁ             | Vice-President                          |                               |
| Ms ŠUICA               | Vice-President                          |                               |
| Mr SCHINAS             | Vice-President                          |                               |
| Ms GABRIEL             | Member                                  |                               |
| Mr WOJCIECHOWSKI       | Member                                  |                               |
| Mr BRETON              | Member                                  |                               |
| Ms FERREIRA            | Member                                  |                               |
| Mr REYNDERS            | Member                                  |                               |
| Ms DALLI               | Member                                  |                               |
| Ms JOHANSSON           | Member                                  |                               |
| Mr LENARČIČ            | Member                                  |                               |
| Ms VÁLEAN              | Member                                  |                               |
| Mr VÁRHELYI            | Member                                  |                               |
| Ms SIMSON              | Member                                  | Items 1 to 10/11 (in<br>part) |
| Mr SINKEVIČIUS         | Member                                  |                               |

Absent:

|                |                          |
|----------------|--------------------------|
| Ms VESTAGER    | Executive Vice-President |
| Mr DOMBROVSKIS | Executive Vice-President |
| Mr HAHN        | Member                   |
| Mr SCHMIT      | Member                   |
| Mr GENTILONI   | Member                   |
| Ms KYRIAKIDES  | Member                   |
| Ms URPILAINEN  | Member                   |
| Ms McGUINNESS  | Member                   |

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

|             |                                             |
|-------------|---------------------------------------------|
| Ms DYRSKJØT | Policy Coordinator in Ms VESTAGER's cabinet |
| Mr NOACK    | Member of Mr HAHN's cabinet                 |
| Ms MARGERIT | Member of Mr GENTILONI's cabinet            |
| Ms OJALA    | Deputy Head of Cabinet to Ms KYRIAKIDES     |
| Mr LAHTI    | Head of Cabinet to Ms URPILAINEN            |
| Ms REILLY   | Head of Cabinet to Ms McGUINNESS            |

The following also sat in:

|                      |                                                                                |
|----------------------|--------------------------------------------------------------------------------|
| Mr SEIBERT           | Head of 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<br>Chief Spokesperson of the Commission |
| Mr VAN KEMSEKE       | Adviser in the PRESIDENT's cabinet                                             |
| Ms HILI              | Adviser in the PRESIDENT's cabinet                                             |
| Ms BUKA              | Secretariat-General                                                            |

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

**1. AGENDAS**

**(OJ(2023) 2450/FINAL; SEC(2023) 2450/FINAL)**

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

**2. WEEKLY MEETING OF HEADS OF CABINET**

**(RCC(2023) 2450)**

The Commission considered the Secretary-General's report on the weekly meeting of Heads of Cabinet held on Monday 13 and Wednesday 15 March 2023.

**3. APPROVAL OF THE MINUTES**

The Commission held over approval of the minutes of its 2444<sup>th</sup>, 2445<sup>th</sup>, 2446<sup>th</sup>, 2447<sup>th</sup>, 2448<sup>th</sup> and 2449<sup>th</sup> meetings of 1, 8, 14 and 22 February and 1 and 8 March 2023 for a later date.

**4. INTERINSTITUTIONAL RELATIONS**

**(RCC(2023) 74)**

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 10 March 2023 (RCC(2023) 74).

The Commission approved the lines proposed for the following points:

- **European green bonds (Regulation) – TANG report – 2021/0191 (COD)**

Line set out in SI(2023) 51.

- **Amendment of Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories (Regulation) – VAN OVERTVELDT report – 2022/0074 (COD)**

Line set out in SI(2023) 53.

- **Geographical indication protection for craft and industrial products and amendment of Regulations (EU) 2017/1001 and (EU) 2019/1753 of the European Parliament and of the Council and Council Decision (EU) 2019/1754 (Regulation) – WALSMANN report – 2022/0115 (COD)**

Line set out in SI(2023) 52.

- **European Year of Skills 2023 (Decision) – FOURLAS report – 2022/0326 (COD)**

Line set out in SI(2023) 57.

- **Oral question O-000011/2023 – Combating discrimination in the EU – The long-awaited horizontal anti-discrimination directive**

Line set out in SP(2023) 146.

- **Oral question – O-000013/2023 – Lack of actions taken by the Commission in the context of the duty of sincere and loyal cooperation**

Line set out in SP(2023) 145.

- **Position to be taken by the Commission on behalf of the Union in consultations with the United Kingdom and Norway on the management of North Sea herring**

Line set out in SI(2023) 59.

- **Implementation of the concept of ‘actual extent and nature’ in Article 502(1) of the European Union-United Kingdom Trade and Cooperation Agreement**

Line set out in SI(2023) 60.

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 January 2023**

Line set out in SP(2023) 126/2.

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 – November-December 2022 plenary session**

Line set out in SR(2023) 6/4.

The Commission took note of the following point:

- **Question Time (Commission) – ‘How to ensure energy security in the EU in 2023’**

Information set out in SP(2023) 131.

## **5. COORDINATION OF EXTERNAL ACTION (RCC(2023) 14)**

The Commission took note of the operational conclusions in RCC(2023) 14 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 8 March 2023.

## **6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS**

### **6.1. WRITTEN PROCEDURES APPROVED (SEC(2023) 112 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 6 and 12 March 2023.

### **6.2. EMPOWERMENT (SEC(2023) 113 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 6 and 12 March 2023.

### **6.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2023) 114 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 6 and 12 March 2023 archived in Decide.

### **6.4. SIGNIFICANT WRITTEN PROCEDURES (SEC(2023) 115 AND /2)**

The Commission took note of the significant written procedures for which the time limit expired between 13 and 17 March 2023.

## **7. ADMINISTRATIVE AND BUDGETARY MATTERS**

**(SEC(2023) 116)**

### **ADMINISTRATIVE MATTERS**

**(PERS(2023) 26)**

#### **7.1. JOINT RESEARCH CENTRE – TRANSFER OF AN AD15 OFFICIAL UNDER ARTICLE 7 OF THE STAFF REGULATIONS**

On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Ms JOHANSSON and Ms GABRIEL, the Commission decided to transfer in the interest of the service, under Article 7 of the Staff Regulations, Mr Matthias OEL – currently Director of the ‘Schengen, Borders and Visa’ Directorate (Directorate B) in DG Migration and Home Affairs – to the post of Director of the ‘Space, Security and Migration’ Directorate (Directorate E) at the Joint Research Centre.

This decision would take effect on 16 May 2023.

#### **7.2. HEALTH EMERGENCY PREPAREDNESS AND RESPONSE AUTHORITY – AMENDMENT OF THE ORGANISATION CHART AND INTERNAL PUBLICATION OF A PRINCIPAL ADVISER POST AT GRADE AD14/15**

**(PERS(2023) 27)**

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

- to create a temporary post of Principal Adviser – Chief Science Officer (HERA.PA01) – reporting directly to the Head of the European Health Emergency Preparedness and Response Authority;
- to authorise, with immediate effect, the internal publication under Article 29(1)(a)(i) and (iii) of the Staff Regulations, of the vacancy notice

in PERS(2023) 27 for the post of Principal Adviser at the European Health Emergency Preparedness and Response Authority.

Unless indicated otherwise, these decisions would take effect on 16 March 2023.

**7.3. DG HUMAN RESOURCES AND SECURITY – APPROVAL OF LISTS OF CANDIDATES FOR POSTS OF HEAD OF EU DELEGATION AND DEPUTY HEAD OF EU DELEGATION AT GRADES AD15-16/AD15, AD14-15/AD14 AND AD9-14/AD12  
(PERS(2023) 28)**

The Commission took note of the information in point 3 of PERS(2023) 26, and, on a proposal from Mr HAHN, in agreement with the PRESIDENT, decided to approve the lists of candidates submitted to it for posts of Head of EU Delegation and Deputy Head of EU Delegation in the following countries:

**HEADS OF DELEGATION**

- to the United Nations in New York, and to the United States of America (at grades AD15-16/AD15);
- to the African Union, to Brazil, to India, to Indonesia and to Ukraine (at grades AD14-15/AD14);
- to Angola, to Saudi Arabia, to Armenia, to the ASEAN in Indonesia, to Burkina Faso, to Burundi, to Cambodia, to Cameroon, to the West Bank and the Gaza Strip, to the Democratic Republic of the Congo, to Costa Rica, to the United Arab Emirates, to Gabon, to Iraq, to Jordan, to Lebanon, to Liberia, to Libya, to Mali, to Mauritius, to Namibia, to Nepal, to New Zealand, to the OECD/UNESCO in Paris, in the Pacific region (Fiji), to Somalia, to Sri Lanka, to Tanzania, to Turkmenistan, to the United Nations/IAEA/OSCE in Vienna, to Vietnam and to Zambia (at grades AD9-14/AD12).

**DEPUTY HEADS OF DELEGATION**

- to Brazil, to China, to Egypt, to Kenya, to Mexico, to the *United Nations* in New York, to Pakistan, to South Africa and to Türkiye (at grades AD9-14/AD12).

The competent authority of the European External Action Service would make the final appointments on the basis of these lists, as set out in PERS(2023) 28.

This decision would take effect immediately.

**7.4. DG INTERNATIONAL PARTNERSHIPS – 2022 REPORT ON THE WORKLOAD ASSESSMENT OF THE DELEGATIONS OF THE EUROPEAN UNION – INFORMATION ON THE IMPLEMENTATION OF ARTICLE 6 OF COMMISSION DECISION C(2019) 8634 ON THE MANAGEMENT OF COMMISSION RESOURCES IN UNION DELEGATIONS  
(SEC(2023) 98)**

The Commission, on a proposal from Mr HAHN, in agreement with the PRESIDENT, Mr DOMBROVSKIS, Mr BORRELL, Mr LENARČIČ, Mr VÁRHELYI and Ms URPILAINEN, took note of the report set out in SEC(2023) 98.

**8. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATIONS (EU) 2019/943 AND (EU) 2019/942 AS WELL AS DIRECTIVES (EU) 2018/2001 AND (EU) 2019/944 TO IMPROVE THE UNION'S ELECTRICITY MARKET DESIGN (COM(2023) 148 AND /2; SWD(2023) 58 AND /2; RCC(2023) 83)**

**9. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATIONS (EU) N° 1227/2011 AND (EU) 2019/942 TO IMPROVE THE UNION’S PROTECTION AGAINST MARKET MANIPULATION IN THE WHOLESALE ENERGY MARKET (COM(2023) 147 AND /2; SWD(2023) 58 AND /2; RCC(2023) 83)**

The PRESIDENT introduced the two proposals for a Regulation on the EU electricity market by referring to the general context of these initiatives. In particular, she mentioned the reduced gas supply from Russian energy supplier Gazprom in the previous two years intended to prevent the EU from filling its stocks, and the peak gas price of EUR 350 per MWh reached in August 2022. She was pleased with the EU’s handling of the crisis, with prices now below EUR 50 per MWh in Europe, but nevertheless stressed that the difficulties encountered had highlighted the need to reform the electricity market.

Mr TIMMERMANS then took the floor, at the PRESIDENT’s request, and began by congratulating Ms SIMSON and the colleagues concerned from the Directorate-General for Energy for the work done in drawing up the proposals. The aim of the legislative package presented that day was to lessen the impact of electricity price volatility on people’s bills in Europe by proposing a targeted reform of the electricity market. Above all, it was necessary to invest in the energy transition, which would lead to a more sustained reduction in costs.

Ms SIMSON explained that the proposed initiatives aimed to reform the design of the EU electricity market and complement crisis response measures while moving towards a net-zero future. She pointed to the differing views among Member States and stakeholders on the issue, but welcomed the recent shift towards less polarised positions as a result of lower energy prices.

There was now a consensus that the existing design of the electricity market had led to an efficient and well-integrated market for more than two decades. At the same

time, certain shortcomings prevented the market from functioning properly and reflecting the real costs of Member States' energy mix.

Ms SIMSON pointed out that by 2030 the EU would need much more electricity to supply its economy and this would have to come increasingly from renewables. That would create needs for flexibility, demand response and new energy sharing models, which the current framework was unable to meet. The current framework placed too much emphasis on short-term markets, which had amplified the effects of rising gas prices during the crisis.

Consumers were exposed to wholesale prices that were too often driven by the costs of gas-fired power plants, and they therefore could not benefit from the increasing share of lower-cost renewables. The final price for energy producers was determined by the most costly technology needed to meet demand, which in times of soaring gas prices created considerable excess revenues for 'inframarginal' producers. Lastly, dynamic contracts linked to spot prices had led to exorbitant bills for consumers and the bankruptcy of certain retailers without risk coverage when wholesale spot prices had risen sharply.

Ms SIMSON also raised broader issues about how to better encourage flexibility and demand response, promote regional forward markets and ensure the transparency and integrity of markets where operators acted beyond the national jurisdictions in which national supervisory authorities were required to operate. She referred to the various solutions already proposed to try and address these issues, first with the EU's toolbox to tackle rising energy prices and then with emergency measures based on Article 122 of the Treaty on the Functioning of the EU. However, those measures were only temporary and therefore difficult to implement.

In that context, Ms SIMSON presented three core elements of the targeted reform of electricity market design proposed that day.

First, the aim was to make electricity prices less dependent on short-term markets and to create incentives for investment in renewable energy production. To that end,

the reform proposed long-term instruments on three fronts, namely (i) encouraging longer-term contracts, in particular by boosting the market for power purchase agreements; (ii) stabilising electricity prices and limiting excessive revenues for energy producers by requiring Member States to use ‘two-way contracts for difference’ when granting subsidies to new investments in low carbon and renewable generation; and (iii) increasing liquidity on forward markets.

Power purchase agreements were tailor-made contracts for a fixed period – usually between 5 and 10 years – between a renewable energy producer and a consumer, at a price agreed in advance. Such contracts were very rare at present, with 100 to 200 agreements a year across the EU concentrated in a few Member States.

On the second point, when new investment in renewable or low-carbon electricity generation was supported by public subsidies, the revenues from those contracts would have to be passed on to end consumers to reduce their electricity bills. The proposal thus required Member States to use ‘two-way contracts for difference’, which stabilised prices by setting, in addition to guaranteed revenue for producers, a limit on the increase in revenues (estimated at between EUR 12 and 18 billion a year from 2024 and increasing) that they earned from the market thanks to generation assets.

Ms SIMSON stressed that this had the advantage of boosting investment in renewable energy production at a lower cost for the Member State and of stabilising prices for producers while ensuring that consumers, such as small and medium-sized enterprises, industry and households, benefited more directly from the reduction in costs.

Lastly, to increase liquidity in forward markets, the proposal provided for the creation of regional virtual trading hubs as well as new long-term transmission rights.

The second core element of the reform was to offer more choice and better protection to consumers. In that regard, consumers would be allowed to install

multiple electricity meters and to sign contracts with several different suppliers for their electric vehicle, heat pumps or domestic consumption, which was not possible at present. Suppliers would be required to offer a variety of contracts adapted to the needs and profile of their customers rather than just dynamic pricing contracts. They would also need risk cover for part of their sales to avoid the bankruptcy problems seen the previous year. Finally, Ms SIMSON referred to the obligation for Member States to have a supplier of last resort, and to the introduction of the right to energy sharing for active ‘prosumers’ (producers and consumers) and the authorisation of regulated prices below costs in times of crisis.

The third core element of the reform was a ‘peak shaving’ mechanism to reduce electricity demand at times when gas was needed to meet it, in return for compensation paid to market participants. Gas would also be replaced more quickly by speeding up deployment of renewables, supported by several measures.

Ms SIMSON concluded by stressing that the package presented that day constituted a targeted reform that brought about structural improvements following a series of emergency measures, but that it was not revolutionary. The current electricity market design, which had been in place for more than two decades, had enabled European consumers to reap the benefits of a single energy market that had proved resilient, including during the crisis.

However, a targeted reform did not mean a minimal impact, since energy prices were one of the factors companies took into account when deciding where to invest. While preserving and stimulating a Europe-wide electricity market, the proposed reform would thus gradually reduce the costs of energy production and use in Europe, in particular through greater use of renewables, in order to guide these corporate investment decisions.

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

- recognition of the complexity of the exercise and support for the targeted nature of the proposed reform, which included many important measures to stabilise the energy market in general and electricity prices in particular, while preserving the benefits of the current market design;
- the particular attention paid to consumers, who were not only protected but were also in a better position to make their own energy choices, especially thanks to clear and simple contracts, which now needed to be closely monitored to make sure they were implemented properly;
- the importance of not imposing or favouring a specific type of technology, thus leaving open the choice of the most suitable tools to achieve the EU's net-zero targets, and the welcome reference in that context to technological neutrality;
- positive developments regarding the establishment and functioning of the joint gas purchasing platform, which should also help to reduce gas prices;
- a reminder of the importance of filling gas storage facilities across Europe as soon as possible after the heating season to prepare for the coming winter;
- the rather limited impact of this targeted reform in the short term, with the benefits being felt only in the longer term and, for some, the need for a more ambitious reform decoupling electricity prices from gas prices and capping the excessive profits of inframarginal power producers to reduce the likelihood of sustained episodes of high electricity prices in the future;
- the competitive disadvantage of the Union compared with non-EU countries given the structurally high energy price levels for both consumers and European industry;
- concerns related to the lack of adequate interconnections in the EU, the obstacles to introducing aid schemes for nuclear energy, the risks and costs related to carbon capture and storage, the risks to the single market of over-

reliance on public subsidies and the high threshold for triggering the emergency clause;

- in that context, the need for clear communication on the scope of the reform and the expected benefits, including through practical examples.

In response to the points raised during the discussion, Mr TIMMERMANS pointed out that the energy crisis was primarily linked to Russia's decision to withdraw 100 billion cubic metres of gas from the market, which had led to a significant imbalance between supply and demand that could not be resolved by decoupling electricity prices from gas prices or through a price cap. However, the proposed measures would improve the situation and prevent the kind of extreme price spikes seen in summer 2022.

Ms SIMSON took note of the wish expressed by some for a more ambitious reform, but pointed out that most Member States had not opted to cap the price of gas used in electricity generation. She stressed the need to speed up deployment of renewables to bolster the European energy market, and remarked that Member States would have to introduce contracts for difference if they wished to grant State aid to their industry. She also indicated that a 5% reduction in peak hour electricity consumption could lead to a 4% reduction in total gas consumption. Finally, she pointed out that Member States were no longer calling for a radical reform of the market approach and that the Council now seemed to support the integrated approach of the package presented.

The PRESIDENT wound up the discussion by stressing the importance of coordinated communication from the Commission on the proposed measures. The price spikes seen in August 2022 had largely been linked to market manipulation by Russia, which had decided to reduce gas supply by 80%. As the EU was not a gas or oil producer, it was vital to invest heavily in renewables.

Following these presentations, the Commission adopted the proposals for a Regulation in COM(2023) 148/2 and COM(2023) 147/2 for transmission to the

European Parliament, the Council, the Economic and Social Committee, the Committee of the Regions and the national parliaments, together with the impact assessment in SWD(2023) 58/2, the contents of which were noted.

**10. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ESTABLISHING THE MULTIANNUAL STRATEGIC POLICY FOR EUROPEAN INTEGRATED BORDER MANAGEMENT**

**(COM(2023) 146 AND /2; RCC(2023) 84)**

**11. COMMISSION RECOMMENDATION ON MUTUAL RECOGNITION OF RETURN DECISIONS AND EXPEDITING RETURNS WHEN IMPLEMENTING DIRECTIVE 2008/115/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**(C(2023) 1763 AND /2; RCC(2023) 84)**

By way of introduction, Mr SCHINAS referred to the discussions on migration policy held, on the basis of a letter from the PRESIDENT, at the extraordinary meeting of the European Council on 9 February 2023. The Commission needed to progress rapidly, building on the conclusions of that European Council in order to prepare the next meeting of the European Council on 23 and 24 March.

To start with, the multiannual strategy proposed for European integrated border management (EIBM) was based on a set of shared principles for managing the EU's external borders. These principles would then be translated into national strategies by the authorities responsible for border management in the Member States and the European Agency for the Management of Operational Cooperation at the External Borders (Frontex).

Turning to the proposal on returns, Mr SCHINAS said that the current situation was not satisfactory, as the number of effective returns was very low. The measures proposed that day, in particular the mutual recognition of national return decisions

and the streamlining of appeal procedures, would help to improve management of migration flows.

He closed by stressing that the final agreement of the co-legislators on the Pact on Migration and Asylum proposed by the Commission in 2020 should ensure for the Member States exercising solidarity that borders and returns were managed efficiently and smoothly within the EU.

Ms JOHANSSON in turn stressed the political context to the migration debate and in particular the support given by the Heads of State and Government to the Pact on Migration and Asylum at the last meeting of the European Council. The European Parliament would be taking a position soon on a number of proposals in the Pact and trilogues would thus be held under the Swedish and Spanish presidencies of the Council.

Turning to the operational side of that day's migration package, she began with the proposal for integrated border management. The measures proposed would enable Frontex and the Member States to continue their work over the next five years and she called for greater cooperation between the Agency and the Member States. Frontex could only work effectively if the Member States delivered on their promises to provide border surveillance equipment and staff, whether vessels, helicopters, drones or dog-handlers.

Ms JOHANSSON then outlined the second proposal on harmonising procedures and the mutual recognition of national return decisions. Mutual recognition was a crucial piece of the puzzle for managing returns well and thus ensuring an effective European migration policy.

Noting the very low return rate following decisions by the Member States (21%), Ms JOHANSSON expressed the view that discussions should be continued with third countries of origin and that loopholes in the current system within the EU should be closed, for example thanks to the mutual recognition of negative national decisions and improvements in the Schengen Information System (SIS).

Lastly, the work of Frontex on returns had shown a positive trend, which should continue in all the Member States concerned, notably as a result of improved coordination and the establishment of a network of experts.

In conclusion, Ms JOHANSSON stressed the possibilities offered by better management of migration flows, and deemed that it was now time to turn words into deeds by effectively returning persons who had entered the EU unlawfully to their countries of origin.

During the brief discussion that followed, the Commission raised the following main points:

- the instrumentalisation of migrants by Russia, in particular via Belarus, and the importance of a joint European response based on solidarity;
- the need for frank and open dialogue between Member States, with solutions to be found on a case-by-case basis when specific difficulties arose;
- the impact of migration issues on future elections in the Member States;
- the importance of defending national personnel protecting the EU's external borders from attacks, including verbal attacks, of which they were sometimes victims.

Following these presentations, the Commission:

- approved the Communication in COM(2023) 146/2 for transmission to the European Parliament and the Council and, for information, to the national parliaments and the European Border and Coast Guard Agency, Frontex;
- approved in principle the Commission Recommendation in C(2023) 1763 and, pursuant to Article 13 of the Rules of Procedure, empowered Ms JOHANSSON, the Member of the Commission responsible, to adopt it formally, in agreement with the PRESIDENT, in all the language versions as soon as they were

available, for transmission to the European Parliament and the Council and for publication in the Official Journal of the European Union.

## **12. OTHER BUSINESS**

### ***12.1. OUTCOME OF THE PRESIDENT'S VISITS TO THE UNITED STATES AND CANADA***

The PRESIDENT briefed the College on her meeting with US President Joe BIDEN during her visit to Washington on 10 March. This meeting had proved to be very constructive and fruitful, as it had provided an opportunity to address the EU's concerns about the US Inflation Reduction Act. She reminded the College that, like the European Green Deal Industrial Plan recently adopted by the Commission, the Inflation Reduction Act aimed to promote massive investment in the transition to a net-zero economy. However, she noted that, as the provisions of the US law, and in particular the tax breaks, applied only to products manufactured in the US, its implementation might put European industry at an unfair disadvantage.

She pointed out that the EU's response was based on two main elements: on the one hand, close cooperation with the United States to make the incentives under the US Inflation Reduction Act and the Green Deal Industrial Plan complementary rather than competing in order to maximise the deployment and use of clean energy and, on the other, the strengthening and development of Europe's clean technology industry.

As far as cooperation with the United States was concerned, the Commission had already reached an agreement on access to the US market for electric vehicles produced in the EU. The PRESIDENT then explained that, at her meeting with Mr BIDEN, it had been agreed to start negotiations on an agreement to grant access to the US market for critical raw materials extracted

or processed in the European Union, on the same conditions as if they had been produced in the United States.

The EU and the US would also engage in discussions on transparency on incentives for the clean technology industry. In this regard, she stressed the importance of knowing what types of incentives for the clean technology industry had been put in place on either side of the Atlantic with a view to combining their effects in the pursuit of shared targets for achieving a circular and net-zero economy. Finally, she explained that the US and the European Commission had announced the launch of a structured dialogue on clean energy incentives to coordinate their respective incentive programmes and make them mutually reinforcing.

The PRESIDENT then noted that the second main element of the EU's response to the US Inflation Reduction Act was the Green Deal Industrial Plan, which sought to boost the development of the clean technology industry in Europe.

In this regard, she felt that the US Inflation Reduction Act had been beneficial to the EU, as it had focused minds on the need to take urgent action and to mobilise the necessary resources. She called for the provisions of the US Inflation Reduction Act to be analysed closely to ascertain whether they might usefully be implemented in Europe. She referred in particular to tax breaks, which were used widely in the United States and which ought to be considered at EU level and by the Member States.

More generally, she stressed that the Commission must continue to consider all legislative initiatives needed to deliver the Green Deal and to defend the EU's interests. It was precisely in order to safeguard the interests of the Union that the Commission was actively working to secure the EU's supply of critical raw materials and that it was putting forward two legislative proposals on this subject that same week.

The PRESIDENT also said that the supply of critical raw materials had been one of the topics she had discussed with Canadian Prime Minister Justin TRUDEAU during her visit to Canada from 6 to 8 March.

She welcomed the fact that, on this occasion, the European Union and Canada had reaffirmed their commitment to ensuring the security of their value chains and the supply of critical minerals that were essential elements for a digital and climate-neutral economy. Both sides had agreed to work together to lay the foundations for a reliable hydrogen supply chain between Canada and the EU and to develop common approaches to hydrogen standards and certification.

The PRESIDENT concluded by noting the many positive developments resulting from her visits to the United States and Canada. She considered that, ultimately, the challenges raised by the US Inflation Reduction Act were also opportunities to take concerted action with like-minded countries in the fight against climate change.

The Commission took note of this information.

## **12.2. LATEST DEVELOPMENTS IN EXTERNAL RELATIONS**

At the PRESIDENT's request, Mr BORRELL reported on the latest developments in the field of the EU's external relations.

He began by mentioning the worrying obstacles to the implementation of the new political agreement between the European Union and the 79 members of the Organisation of African, Caribbean and Pacific States (OACPS). This agreement was the successor to the Cotonou Agreement, but it had yet to be ratified by all EU Member States almost two years after being concluded by the two parties' negotiators. He stressed that any delay in implementing this agreement would affect the 79 partner countries, which had a combined population of one and a half billion people. He urged the Commission and

other interested parties to make every effort necessary to break the current deadlock.

Mr BORRELL then reported on the G20 Foreign Ministers' meeting in New Delhi, India, on 2 March, which had been attended by Russian Foreign Minister Sergey LAVROV. He highlighted the relative indifference of many G20 member countries regarding Russia's status as aggressor in a war which they considered to be a purely European conflict.

He then reported on the informal meeting of Defence Ministers held in Stockholm, Sweden, on 7 and 8 March, where discussions had focused on support for Ukraine and, in particular, the supply of ammunition. He explained that he had presented a three-tier approach: (i) the immediate delivery of ammunition from national stocks or existing orders, with the renewal of stocks eligible for funding to the tune of EUR 1 billion under the European Peace Facility; (ii) the joint procurement of ammunition under a specific European Defence Agency project funded with an additional EUR 1 billion under the same facility; and (iii) measures to support the scaling-up of the EU's industrial capacities, under the responsibility of Mr BRETON. He said that most ministers had stressed the importance of pursuing the three tracks in parallel and of taking swift action.

Mr BRETON stressed the importance of rapidly increasing ammunition production capacity within the EU, as Russia had recently announced a doubling of its production. He informed the Members of the College of all the initiatives taken by the Commission to create the necessary conditions for a substantial and rapid increase in ammunition production in order to support Ukraine's military defence.

The Commission took note of this information.

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The first sitting closed at 14.55.

**Second sitting: Thursday 16 March 2023 (morning)**

The second sitting opened at 9.13 with Ms von der LEYEN, President, in the chair.

Present:

|                  |                          |                |
|------------------|--------------------------|----------------|
| Ms von der LEYEN | President                |                |
| Mr TIMMERMANS    | Executive Vice-President |                |
| Mr DOMBROVSKIS   | Executive Vice-President |                |
| Ms JOUROVÁ       | Vice-President           |                |
| Ms ŠUICA         | Vice-President           |                |
| Mr SCHINAS       | Vice-President           |                |
| Mr HAHN          | Member                   |                |
| Mr SCHMIT        | Member                   |                |
| Mr GENTILONI     | Member                   |                |
| Mr WOJCIECHOWSKI | Member                   | Items 13 to 18 |
| Mr BRETON        | Member                   |                |
| Mr LENARČIČ      | Member                   |                |
| Ms VÁLEAN        | Member                   |                |
| Ms SIMSON        | Member                   |                |

Absent:

|                        |                                      |
|------------------------|--------------------------------------|
| Ms VESTAGER            | Executive Vice-President             |
| Mr BORRELL i FONTELLES | High Representative / Vice-President |
| Mr ŠEFČOVIČ            | Vice-President                       |
| Ms GABRIEL             | Member                               |
| Ms FERREIRA            | Member                               |
| Ms KYRIAKIDES          | Member                               |
| Mr REYNDERS            | Member                               |
| Ms DALLI               | Member                               |
| Ms JOHANSSON           | Member                               |
| Mr VÁRHELYI            | Member                               |
| Ms URPILAINEN          | Member                               |

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|----------------|--------|
| Mr SINKEVIČIUS | Member |
| Ms McGUINNESS  | Member |

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

|                   |                                       |
|-------------------|---------------------------------------|
| Ms CANENBLEY      | Deputy Head of Cabinet to Ms VESTAGER |
| Ms LÓPEZ MARTÍNEZ | Expert in Mr BORRELL's Office         |
| Mr LORENZANI      | Member of Mr ŠEFČOVIČ's cabinet       |
| Ms ROUCH          | Head of Cabinet to Ms GABRIEL         |
| Mr SOBRAL         | Head of Cabinet to Ms FERREIRA        |
| Mr ROSSIDES       | Head of Cabinet to Ms KYRIAKIDES      |
| Ms BUSA           | Member of Mr REYNDEERS's cabinet      |
| Mr KERR           | Member of Ms DALLI's cabinet          |
| Ms WEBBER         | Head of Cabinet to Ms JOHANSSON       |
| Ms TEEDUMÄE       | Deputy Head of Cabinet to Mr VÁRHELYI |
| Mr LAHTI          | Head of Cabinet to Ms URPILAINEN      |
| Ms PREISING       | Head of Cabinet to Mr SINKEVIČIUS     |
| Ms REILLY         | Head of Cabinet to Ms McGUINNESS      |

The following also sat in:

|                      |                                                                             |
|----------------------|-----------------------------------------------------------------------------|
| Mr SEIBERT           | Head of 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 |
| Mr WHELAN            | Adviser in the PRESIDENT's cabinet                                          |
| Ms SPINANT           | Deputy Chief Spokesperson of the Commission                                 |
| Ms ALLOUIS-LE LOSTEC | Head of Unit in the Secretariat-General                                     |
| Mr VALERO            | Secretariat-General                                                         |

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

- 13. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – A SECURE AND SUSTAINABLE SUPPLY OF CRITICAL RAW MATERIALS IN SUPPORT OF THE TWIN TRANSITION (COM(2023) 165 TO /3; RCC(2023) 82)**
- 14. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING A FRAMEWORK FOR ENSURING A SECURE AND SUSTAINABLE SUPPLY OF CRITICAL RAW MATERIALS AND AMENDING REGULATIONS (EU) 168/2013, (EU) 2018/858, (EU) 2018/1724 AND (EU) 2019/1020 (COM(2023) 160 TO /3; SWD(2023) 160; SWD(2023) 161; SWD(2023) 162; SEC(2023) 360; RCC(2023) 82)**

At the invitation of the PRESIDENT, Mr DOMBROVSKIS introduced the package proposed that day, pointing out that it had been announced by the PRESIDENT in her State of the Union address in 2022. The package consisted of a Regulation and a Communication aimed at ensuring a secure and sustainable supply of critical raw materials, in order to support the European green transition and the EU's security and long-term competitiveness.

He noted that the demand for critical raw materials was likely to increase ten-fold in the next decade. The demand for rare earth metals, for example, which were used in particular in wind turbine production, was expected to be five to six times higher by 2030 and six to seven times higher by 2050, in order to meet the EU's climate targets. Similarly, with regard to the production of electric vehicle batteries, the demand for lithium was expected to be 12 times higher by 2030 and 21 times higher by 2050.

Mr DOMBROVSKIS pointed out, however, that Europe was not a continent that was rich in natural resources and would therefore be able to supply only a fraction

of the critical raw materials needed for its twin green and digital transitions. Accordingly, it was important to maintain global production chains and preserve European values of openness to the outside world, as part of a policy of close cooperation with the EU's key partners based on trust, mutual benefit and clearly defined rules.

He added that a number of resource-rich countries were keen to attract partners to develop their own critical raw materials value chains sustainably. In this context, a partnership with the EU was particularly attractive given its reputation for excellence, institutional know-how and investment capacity. In this way the EU could help strengthen local value chains, improve product quality, maximise innovation and reduce costs. In this connection, he stressed the EU's commitment to sustainability, circularity and substitutability, with regard to both European value chains and global production, noting that these values were also shared by the EU's main partners.

The proposal for a Regulation established a regulatory framework to support the development of domestic capacities and strengthen the sustainability and circularity of critical raw materials supply chains in the EU, while the Communication proposed a comprehensive approach that included non-regulatory measures to support the diversification of supply chains through new international partnerships.

Mr DOMBROVSKIS drew particular attention to the measures to support investment, develop common standards, encourage skills partnerships and boost research and innovation efforts.

As regards the external dimension, he underlined the importance of exploiting synergies with other EU policies, such as the Global Gateway, which would help partner countries increase their own extraction and processing capacities, including through skills development.

Mr DOMBROVSKIS noted that, in some cases, critical raw materials cooperation would be built into existing or future free trade agreements (FTAs), as exemplified

by the chapters on critical raw materials in the agreements concluded with New Zealand and Chile and the negotiations under way on this issue with Australia. He also made reference to the strategic partnerships concluded under existing agreements with Canada, Kazakhstan, Namibia and Ukraine.

In other cases, specific partnerships would be concluded solely on critical raw materials, e.g. with the Democratic Republic of Congo and Rwanda, which would act as the building blocks for stronger trade links with those countries in other areas. Lastly, he mentioned the targeted and mutually beneficial agreement planned with the United States, which would help set up a green transatlantic marketplace and guarantee FTA-equivalent status for the supply of raw materials in the context of the US Inflation Reduction Act.

He emphasised that the Communication also proposed creating a critical raw materials club, which would bring together industrial countries and countries rich in natural resources. He considered that the critical raw materials issue should also be addressed within the World Trade Organization (WTO), reiterating the wider aim of reforming the WTO to empower it to do more on climate and sustainable development.

In conclusion, Mr DOMBROVSKIS stated that there was a significant risk of adverse consequences if the environmental standards imposed on the EU's partners were very strict. Given the growing global demand for critical raw materials, there was a danger that the EU's competitors that benefited from more lenient standards would attract raw materials imports, which would undermine the EU's competitiveness and its green ambitions.

Mr BRETON then gave details of the measures contained in the proposal for a Regulation. He first stressed that the Regulation, rather than taking a protectionist approach, focused on the security of the supply chains that were essential to defending European interests.

Drawing lessons from recent history, he noted the importance of avoiding critical

dependencies on third countries. The EU was heavily dependent on imports, and sometimes on a single supplier with a quasi-monopoly. The Regulation on critical raw materials would therefore provide the EU with the tools it needed to ensure access to a secure and sustainable supply of critical and strategic raw materials.

These raw materials were essential for the technologies that would ensure the achievement of the EU's green and digital ambitions and for space and defence applications. Since these raw materials were likely to pose supply risks in the future, it was important that the EU set clear priorities for action. The Regulation therefore incorporated into EU law not only an updated list of critical raw materials but also the list of strategic raw materials. It also set clear benchmarks for national capacities along the whole supply chain in order to diversify the EU's supply by 2030.

Noting existing mining capacities in Europe, including as regards rare earth elements, he first stressed the need for local production, wherever possible. According to the targets announced for 2030, extraction in the EU would have to produce at least 10% of its annual consumption, processing in the EU would have to produce at least 40% of its annual consumption and recycling in the EU would have to produce at least 15% of its annual consumption. As regards recycling, he felt that setting this target was a signal of European support for this new industry.

Mr BRETON highlighted the impact of simplification, which should speed up the achievement of these ambitions. The Regulation would reduce the administrative burden and simplify permitting procedures for critical raw materials projects in the EU. Moreover, without neglecting environmental protection, the strategic projects selected would benefit from access to funding and shorter permitting timelines (24 months for extraction permits and 12 months for treatment and recycling permits).

Mr BRETON also considered it essential to invest in research, innovation and skills. The Commission would therefore promote the deployment of cutting-edge technologies in the field of critical raw materials. A large-scale skills partnership

would be established, as well as a Raw Materials Academy to promote skills relevant to the development of the workforce needed in supply chains.

In order to ensure the resilience of supply chains, the Regulation provided for the monitoring and coordination of strategic stocks of raw materials between Member States and the networking of agencies and scientific staff in order to better anticipate risks. Some large companies would have to carry out an audit of their strategic raw material supply chains, including a company-level stress test to ensure that they could themselves anticipate and address any vulnerabilities identified.

Improved security and affordability of critical raw materials supplies had to go hand in hand with increased efforts to mitigate any adverse impacts, both within the EU and in third countries, with respect to workers' rights, human rights and environmental protection. Member States would therefore need to adopt and implement national measures to improve the collection of critical raw materials-rich waste and ensure it was recycled into secondary raw materials. Furthermore, Member States and private operators would have to investigate the potential for recovery of critical raw materials from extractive waste in current mining activities as well as from historical mining waste management sites.

Mr BRETON also stressed the importance of respecting the internal market and of fairly sharing overall added value, noting that the Global Gateway strategy would serve as a means of helping partner countries develop their own extraction and processing capacities, including through infrastructure projects and skills development.

In the discussion that followed, the Commission mainly raised the importance of critical raw materials in the energy sector, since speeding up the transition to clean industry meant an increase in demand for critical raw materials for innovative manufacturing technologies. In this context, reference was made to the upcoming meeting of G7 Energy Ministers in Japan, which would address the issue of critical raw materials among others.

The PRESIDENT concluded the discussion by pointing out that the twin green and digital transitions would not happen without these critical raw materials, the need and demand for which was increasing exponentially. She considered that progress made in recycling nevertheless meant that it was possible to meet that demand, and gave the example of a Canadian recycling company able to extract 95% of the lithium, cobalt and nickel from used batteries. She stressed that the strategy developed by China in recent decades had led to many countries becoming heavily dependent on it. She felt that the COVID-19 pandemic and the energy crisis triggered by Russia's war of aggression against Ukraine had demonstrated the geopolitical dimension of critical raw material supplies.

Following these presentations, the Commission:

- approved the Communication in COM(2023) 165/3 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;
- adopted the proposal for a Regulation in COM(2023) 160/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the national parliaments and, for information, to the Committee of the Regions, together with the staff working document, the impact assessment, the summary thereof and the opinion of the Regulatory Scrutiny Board in SWD(2023) 160, SWD(2023) 161, SWD(2023) 162 and SEC(2023) 360, the contents of which were noted.

## **15. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING A FRAMEWORK OF MEASURES FOR STRENGTHENING EUROPE'S NET-ZERO TECHNOLOGY PRODUCTS MANUFACTURING ECOSYSTEM**

**(NET ZERO INDUSTRY ACT)**  
**(COM(2023) 161 TO /3; RCC(2023) 81)**

The PRESIDENT asked the Members of the College responsible to present the proposal for a Regulation on a Net Zero Industry Act.

Mr TIMMERMANS explained that the proposal for a Regulation being presented that day was a further addition to the Green Deal Industrial Plan for Europe. He noted that the European Union needed a strategic approach to the manufacturing of clean technologies in order to protect its competitiveness and to secure an important role for its industry, whilst other global players had already positioned themselves strategically on that booming market. However, the proposal was only a first step and would need to be followed by a reflection on the issue of the new financing that would be needed in order to boost the manufacture of clean technologies in the EU and to coordinate national approaches.

In his view, the Net Zero Industry Act would help boost investment in the sector in several ways: (i) it would facilitate permitting procedures without compromising environmental protection, establishing shorter deadlines and one-stop shops; (ii) it would ensure that Member States integrated sustainability and resilience considerations when organising auctions; (iii) it would promote innovation through ‘regulatory sandboxes’; (iv) it included measures to ensure that the workforce was equipped with the necessary skills, helping to create quality jobs; and (v) it addressed an important bottleneck for energy-intensive industries, namely the lack of CO<sub>2</sub> storage capacity in Europe, setting an EU-wide target of 50 million tonnes of annual injection capacity by 2030, with a requirement for oil and gas companies to contribute towards that goal.

Mr TIMMERMANS believed that the Commission had achieved a good balance in terms of the scope of the Regulation, insofar as the proposal covered a very wide range of technologies that would contribute to climate neutrality. As regards the nuclear sector, the proposal focused on future technologies, namely small modular

reactors and fourth-generation nuclear technologies. He hoped that this would help to reduce the ideological polarisation found within the nuclear energy debate in pursuit of the EU's common objectives.

Lastly, the provisions of the Regulation relating to market access aspects, such as procurement and auctions, were also well calibrated. Of course, national administrations could depart from requirements regarding resilience when it came to procurement, if complying with those requirements would result in disproportionate cost increases.

Mr BRETON explained that the strategy proposed for the clean technologies industry in Europe would help meet the overall objective for decarbonisation and the generation of clean energy within the European Union. It also gave a signal to those companies needing to make investment decisions in the context of the Inflation Reduction Act in the United States. While competitiveness in the clean technologies sector in the United States was reliant on the granting of subsidies, competitiveness in the EU would be based on access to the single market and the development of skills, which would help to attract investment in industries of the future and promote long-term economic development.

He then highlighted the ambitious target of the Regulation, which set a general objective for the EU to achieve a manufacturing capacity for zero-emission technologies that covered 40% of clean technology deployment needs by 2030. He stressed the importance of setting that objective now, adding that the technologies in question were well defined and limited to those that were essential to ensuring the green transition.

Mr BRETON also pointed to the importance of reducing red tape while retaining the substance of existing regulations. Doing so would require joint efforts between the European Union and Member States, in particular through the establishment of regulatory sandboxes.

Turning to the subject of nuclear technology, he expressed the view that achieving

carbon neutrality by 2050 should be the EU's only ideological ambition. He also stressed the importance of sending a signal to businesses and people wishing to work in this area that the EU supported the development of all future industrial technologies.

Lastly, he highlighted the importance of developing the skills of people wishing to work in the clean technology sector and of finding new sources of financing for that sector. The proposal for a Regulation provided a good basis for discussion with European companies on their net-zero industrial production plans in Europe, a discussion that could continue in the context of a future European Sovereignty Fund.

Ms SIMSON argued that the proposal for a Net Zero Industry Act came at a crucial time. The European Union was a research and innovation powerhouse for many clean technologies and had established ambitious targets for the roll-out of renewable energy. However, there also had to be more decisive support for the manufacturing of clean technologies. She observed that once a technology moved to large-scale commercial deployment, manufacturing often took place outside Europe.

According to the International Energy Agency, renewable energy was set to account for over 90% of global electricity expansion over the next five years. China would be the greatest beneficiary of that expansion, retaining a share in global renewable manufacturing capacity of between 75 and 90%. At the same time, China had announced its readiness to introduce export restrictions on components for the production of solar panels, which would have an impact on solar production in Europe and the United States. Other international players such as Japan and India were also adopting programmes and incentives to develop their production of clean technologies.

Ms SIMSON argued that replacing one strategic dependence with another could not be a solution for Europe. The objective behind the proposed Net Zero Industry Act was therefore to boost competitiveness in Europe by creating a more favourable

business environment and a framework that would facilitate businesses locating themselves in Europe.

As a member of the World Trade Organization (WTO), the EU should not be contravening any international agreements. In that respect, she insisted that the scope of the Regulation was restricted to the most important technologies in terms of ensuring decarbonisation in the EU by 2030 that were commercially available and where Europe had a competitive advantage. The Regulation also provided for faster permitting procedures and simplified and streamlined environmental assessment for those technologies.

Turning to the subject of market access, particularly procurement, Ms SIMSON noted that the provisions proposed were completely in accordance with WTO rules. Market access was a key factor, together with funding and tax breaks, in order to convince companies to stay in Europe. On the subject of public-sector procurement, she explained that every year, over 250 000 public authorities in the EU spent around 14% of GDP (approximately EUR 2 000 billion per year) on the purchase of services, works and supplies.

She concluded by highlighting the balance struck in the proposal between, on the one hand, promoting the localisation of companies in Europe and, on the other, cooperation with non-EU countries, in order to diversify supply chains for clean technology and therefore avoid the dominance of a single supplier.

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

- the fundamental importance of continued access to energy in order to ensure Europe's economic resilience, and the corresponding need to address the issue of the European Union's strategic dependencies and to prevent the creation of new dependencies;

- the implementation of the concept of open strategic autonomy and the signals that needed to be sent to the EU's trading partners through legislation compliant with WTO rules, providing a high level of legal certainty for Member States, third countries, European operators and investors;
- the observation of the divergent national views on the nuclear issue, and a reminder in that context that it was up to Member States to choose their energy mix in order to achieve the overall decarbonisation objective, hence the importance of ensuring that the Commission's proposals were technologically neutral;
- the focus that should be placed on research and development to improve the safety of nuclear energy production in Europe;
- the need for an industrial policy strategy at European level to maintain the EU's competitiveness, and the importance in that context of the discussion on common financing tools in the general interest of all Member States;
- the importance for the Commission to promote European projects that brought added value, while preserving the possibility of presenting more ambitious proposals in terms of financing with a view to the next Multiannual Financial Framework;
- the importance of the social dimension of the proposal, which contributed to the objective of creating new skills and quality jobs through major European industrial projects;
- the need to simplify regulations and administrative procedures at both national and European level.

The PRESIDENT concluded by recalling the Commission's commitment to working intensively on the creation of a European Sovereign Fund, noting, however, that this was a delicate exercise that would take time. She also referred to the immediate need to make progress regarding concrete funding proposals in order to

boost the development of clean technologies in Europe, including the use of REPowerEU, the Innovation Fund, unused cohesion policy funding and the authorisation of tax breaks in the context of State aid.

As regards the scope of the Regulation, the PRESIDENT confirmed the technological neutrality of the proposal, which highlighted the objective of a net-zero CO<sub>2</sub> European industry without prohibiting the use of specific technologies.

Following these presentations, the Commission adopted the proposal for a Regulation contained in COM(2023) 161/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and national parliaments.

**16. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS ON THE EUROPEAN HYDROGEN BANK  
(COM(2023) 156 AND /2; RCC(2023) 87)**

Mr TIMMERMANS explained that the proposal to create a Hydrogen Bank was being presented alongside the Net Zero Industry Act because it was a key component of the EU's strategy to build on its competitive advantages in clean technologies.

Out of all the clean technology sectors, hydrogen was the one where the EU had the clearest and biggest global lead. It was ranked first in the world, being home to 50% of the existing installed electrolyser capacity, 50% of global electrolyser manufacturing capabilities and 30% of hydrogen production projects. The EU was also a global leader in hydrogen-based steel production technologies.

However, the real challenge facing the EU would be to maintain and expand its

global lead as renewable hydrogen entered the mass production stage over the years to come. The aim of the REPowerEU plan was to produce 10 million tonnes of renewable hydrogen in Europe and import 10 million by 2030, which would already be 5% of the EU's energy needs in 2030.

In order to meet that challenge, Mr TIMMERMANS believed that the EU had to support the development of hydrogen value chains in Europe and coordinate the necessary measures for the development of technologies based on this promising source of clean energy. The regulatory framework necessary to promote hydrogen was in the process of being finalised, and would enable the creation of an environment that could harness spare investment potential. The framework would include definitions, certification, binding targets and market rules for hydrogen.

He noted that private investors were ready to join the momentum initiated by projects aiming to produce renewable hydrogen in the EU, but that only 10% of the hydrogen production projects had reached the stage of the final investment decision, owing to the perceived risks. He stressed that the objective of the Hydrogen Bank was precisely to unlock private investment in terms of both demand and supply. For example, 20 million tonnes of renewable hydrogen could be delivered by 2030 with EUR 1 trillion of investments, most of which could be financed by the private sector.

In order to harness this investment potential, Mr TIMMERMANS noted that public authorities would have to cover EUR 100 billion in green premiums to bridge the gap between the cost of producing renewable hydrogen and the price that the market would be willing to pay. EUR 50 billion would be used to support domestic production and EUR 50 billion to support imports of hydrogen.

This would constitute an investment in Europe's industrial competitiveness, in the clean technology sector and in a fuel that would be needed across the world in order to decarbonise sectors where it would be difficult to reduce emissions.

The investments would also over time reduce the green premium for renewable

hydrogen while also generating employment and industrial growth. Every EUR 1 billion invested in renewable hydrogen could generate 10 000 jobs, of which 6 000 in renewable electricity production and 3 000 in hydrogen production.

The EU had a European fund that could bring this project to fruition, the Innovation Fund, which was financed by revenue from the emission trading system (ETS), where contributions came not from taxpayers but from the most polluting sectors in the EU.

For renewable hydrogen produced at national level, auctions would be organised under the Innovation Fund for projects producing renewable hydrogen across the EU. This first-of-its-kind competitive bidding process was provided for in the review of the EU's emission trading system and would, for the first time, make it possible to spend money via auction.

Mr TIMMERMANS stated that the first pilot auction would be launched in autumn 2023, for which the Commission had a budget of EUR 800 000. The budget would be allocated to projects with the lowest support requirements in EUR/kg of hydrogen. Selected projects would be awarded a subsidy in the form of a fixed premium per kg of hydrogen produced, for a maximum of 10 years of operation.

The Innovation Fund was perfectly positioned to take the EU's hydrogen ambition forward but also to support other objectives in the Net Zero Industry Act. However, for the EU to achieve this and keep up with its competitors, it would need additional resources beyond the EUR 3 billion the Fund could provide. In this regard, Mr TIMMERMANS referred to the forthcoming discussion on designing the Sovereignty Fund in the context of the mid-term review of the Multiannual Financial Framework (MFF).

He noted that options on how to support imports of renewable hydrogen produced internationally remained open but he recommended adopting the same approach based on financing of a green premium since it had proven an efficient model for triggering private investments with public money.

In addition to these financial aspects, Mr TIMMERMANS mentioned two other elements that were essential to the success of this approach: (i) a coordination and monitoring process which would bring together all the data on hydrogen demand and supply, memoranda of understanding signed by EU Member States and the EU, and hydrogen flows in order to guarantee the transparency of this emerging market; and (ii) a mechanism to facilitate the blending of existing EU funds, financing tools and support mechanisms.

Ms SIMSON then took the floor to highlight that the Bank would facilitate the establishment of a full hydrogen value chain in Europe by creating an early market for hydrogen. The Bank would then complement the implementation of the Net Zero Industry Act and support the industrial stakeholders taking early decisions to integrate hydrogen into their production processes or wanting to start producing green hydrogen in Europe.

She pointed out the important work already done by the Commission in setting out a fully-fledged legislative framework for the production, consumption, and transport of hydrogen. Binding quotas for renewable hydrogen consumption in industry and transport had also been proposed. This would make the European Union the world's most advanced region to set up a forward looking, predictable and comprehensive basis to promote the rapid take-off of renewable and low-carbon hydrogen at continental scale. She added that, through the Hydrogen Alliance, the Commission was working on the development of electrolyzers and considering using the trans-European energy networks to serve as a framework for setting up a European hydrogen network.

Ms SIMSON explained that the additional investments required for scaling up the hydrogen economy were substantial and would require private-sector contributions even though renewable hydrogen would not be cost competitive before 2030. It was for this reason that a green premium would cover the additional costs borne by off-takers to switch from fossil fuels to hydrogen. The objective of the Hydrogen Bank would thus be to cover the cost gap between renewable hydrogen and the fossil fuels

it would be replacing in the EU. The sooner the production of renewable hydrogen was scaled up, the smaller this green premium would be.

Ms SIMSON stressed that the Commission had chosen to have the European Hydrogen Bank cover both domestically produced and imported hydrogen, with two new financing mechanisms. The Bank would do more than organise auctions, since it would help provide transparency and coordination by linking suppliers with off-takers, and would coordinate hydrogen infrastructure priorities, parallel Member State initiatives and existing data centres.

On the international side, she emphasised the work left to do in identifying where to find sufficient financing to achieve critical mass in terms of impact. The Commission was exploring options within the EU budget to organise ‘green auctions’ for international producers. Before the end of the year, it would also look at whether it would be opportune to adopt a broader ‘Team Europe’ approach, pooling the Member States’ resources into a single European instrument and facilitating synergies with the Global Gateway Strategy.

Ms SIMSON concluded by noting that the Hydrogen Bank would also help create new connections with the EU’s partners by making Europe a central player in the nascent hydrogen global trade.

In the course of the brief discussion that followed, the Commission mainly referred to the significance of the proposal to create a European Hydrogen Bank in a package of structuring initiatives for the future of European industry. It also noted the benefit of remaining technologically neutral in order to contribute to meeting climate targets.

Following these presentations, the Commission approved the Communication in COM(2023) 156/2 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments.

**17. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – THE SINGLE MARKET AT 30  
(COM(2023) 162 TO /3; RCC(2023) 85)**

**18. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – LONG-TERM COMPETITIVENESS OF THE EU: LOOKING BEYOND 2030  
(COM(2023) 168 TO /2; RCC(2023) 85)**

On the 30<sup>th</sup> anniversary of the single market, the PRESIDENT introduced the two Communications being tabled for approval by the College, focusing on two important aspects relating to the EU's competitiveness.

First, she highlighted the crucial importance of innovation as a driver of European competitiveness and the consequent need for research and development funding. Over the last 20 years, there had been little change in the share of GDP that the EU allocated to research and development annually; in 2020, this figure had stood at 2.3%. In her view, basic research was the noblest of causes to support, since it took longer than a political career to bear fruit, and she stressed the need for funding to be commensurate with ambitions. Moreover, Europe was the world leader in terms of the number of patents filed.

Second, competitiveness also depended on the ability of public administrations and the legal environment to play their role as facilitators. European businesses faced an excessive amount of red tape, particularly with regard to reporting obligations. Therefore, she had tasked the Commission's three Executive Vice-Presidents with assessing these obligations, with the ultimate aim of reducing them by 25% at EU

and national level.

The PRESIDENT ended her introduction by stating that a great deal of statistical data was available and that it would be useful for the Commission to develop key performance indicators in order to carry out annual assessments of the barriers to productivity in the EU and the Member States.

Mr BRETON noted that celebrating the anniversary of the single market provided an opportunity to fully appreciate the EU's strengths and to use them more effectively in order to help businesses and citizens in the EU. He welcomed the fact that 35 Regulations had been adopted during the current Commission's term of office to improve the functioning of the single market, which encompassed material aspects as well as information.

The single market was a source of prosperity and resilience for the EU and it naturally had a pivotal role in the twin green and digital transitions. Moreover, the competitiveness of the EU and of its businesses relied on secure value chains in order to safeguard Europe's industrial ecosystem. With that in mind, he considered it necessary to develop a geopolitical approach to those value chains.

Mr BRETON also felt that the EU should now focus more on research and innovation in all fields, but particularly in the digital and clean technology sectors. He too acknowledged the compelling need to tackle over-regulation, particularly by the Member States, and noted that the Single Market Enforcement Task Force, which had proven to be a success, would be strengthened.

In conclusion, he referred to the need to modernise the single market in order to remove barriers, of which too many still remained, for example by making significant changes in the future with regard to capital markets, public procurement, support for SMEs and the telecommunications market.

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

- the need to consider the number, quality and relevance of the current key performance indicators used in the Commission, as well as reporting obligations and their impact on the appeal of EU projects and programmes;
- the importance of the links between the physical and digital internal markets, and the need, at European and national level, to reduce the administrative burden for businesses and individuals, in particular by systematically promoting the ‘one in, one out’ principle and by adopting texts based on common sense and proportionality;
- the historic role played by Jacques DELORS in 1992 while President of the Commission and the revolution he had begun by transforming the EU from a Union of free movement into a single market; this had enabled the EU to absorb the political, economic and social shocks experienced after the fall of the Berlin Wall and had made subsequent EU enlargements possible;
- the benefits for the EU of the single market, which had created the economic dimension that now made the EU a leading player on the international stage and had been a key factor in ensuring the wellbeing of the people of Europe, despite a number of crises.

Following these presentations, the Commission approved the Communications in COM(2023) 162/3 and COM(2023) 168/2, for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments.

## **19. OTHER BUSINESS (CONTINUED)**

### ***STATE OF PLAY ON THE FINANCIAL MARKETS***

Mr DOMBROVSKIS informed the College of the recent developments involving Credit Suisse Group, which had come at a time of nervousness on the markets

following the recent bank failures in the United States. The US authorities had intervened swiftly with respect to Silicon Valley Bank and the credit lines provided by the Swiss National Bank to Credit Suisse were also expected to help stabilise the situation. He stressed that the EU's financial exposure was limited and pointed out that, unlike banks in the United States, all EU banks were subject to the Basel III standards, which ensured additional safeguards for the European financial sector.

Mr GENTILONI emphasised that the situation was changing rapidly and was being closely monitored by the European Central Bank (ECB).

In conclusion, the PRESIDENT stressed the importance of moving ahead with completion of the Banking Union, once the situation had stabilised. She also welcomed the fact that Basel III provided a guarantee of stability for EU banks.

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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 12.01.