



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2023) 2461 final

- English translation of the French version which is authentic -

Brussels, 6 September 2023

TEXTE EN

MINUTES

of the 2461st meeting of the Commission

held in Brussels

(Berlaymont)

on Tuesday 20 June 2023

(morning)

PV(2023) 2461 final

- English translation of the French version which is authentic -

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Single sitting: Tuesday 20 June 2023 (morning)

The sitting opened at 9.10 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	
Mr BORRELL i FONTELLES	High Representative / Vice-President	Items 1 to 17 (in part)
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	
Ms ŠUICA	Vice-President	
Mr SCHINAS	Vice-President	Items 8 (in part) to 18
Mr HAHN	Member	
Mr SCHMIT	Member	Items 1 to 9/16 (in part)
Mr GENTILONI	Member	
Mr WOJCIECHOWSKI	Member	Items 1 to 17 (in part)
Mr BRETON	Member	
Ms FERREIRA	Member	
Ms KYRIAKIDES	Member	
Ms DALLI	Member	
Mr LENARČIČ	Member	
Ms VÁLEAN	Member	Items 8 to 18
Mr VÁRHELYI	Member	Items 1 to 17
Ms SIMSON	Member	Items 1 to 8 (in part), 9/16 (in part) and 17 (in part)
Ms McGUINNESS	Member	

Absent:

Mr TIMMERMANS	Executive Vice-President
Mr REYNDERS	Member
Ms JOHANSSON	Member
Ms URPILAINEN	Member
Mr SINKEVIČIUS	Member

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

Mr MAGGI	Expert in Mr TIMMERMANS's cabinet	
Ms BERTAUD	Deputy Head of Cabinet to Mr SCHINAS	Items 1 to 8 (in part)
Ms TUTS	Head of Cabinet to Mr REYNDERS	Items 1 to 9/16 (in part)
Mr HERRMANN	A member of Mr REYNDERS's cabinet	Items 9/16 (in part) to 18
Ms CUPSAN-CATALIN	Deputy Head of Cabinet to Ms JOHANSSON	
Mr LAHTI	Head of Cabinet to Ms URPILAINEN	
Mr GRASSI	Head of Cabinet to Ms SIMSON	
Ms PREISING	Head of Cabinet to Mr SINKEVIČIUS	

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	
Ms RISO	Director-General, DG Budget	
Mr MAMER	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's cabinet	
Mr WHELAN	Adviser in the PRESIDENT's cabinet	Items 9/16

Ms HOPMEIER	A member of the PRESIDENT's cabinet	Items 9/16
Ms LODRANT	Policy Coordinator in the PRESIDENT's cabinet	Item 8
Ms SPINANT	Deputy Chief Spokesperson of the Commission	
Ms ALLOUIS-LE LOSTEC	Head of Unit in the Secretariat-General	
Ms BUKA	Secretariat-General	
Mr CHARLES	Secretariat-General	

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

1. AGENDAS

(OJ(2023) 2461/FINAL; SEC(2023) 2461/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) 2461)

The Commission considered the Secretary-General's report on the weekly meeting of Heads of Cabinet held on Monday 19 June 2023.

3. APPROVAL OF THE MINUTES

The Commission held over approval of the minutes of its 2457th, 2458th, 2459th and 2460th meetings of 24 and 31 May, and 7 and 13 June 2023 for a later date.

4. INTERINSTITUTIONAL RELATIONS

(RCC(2023) 127)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 16 June 2023 (RCC(2023) 127).

The Commission approved the lines proposed for the following points:

- **Amendment of Directive (EU) 2019/1153 of the European Parliament and of the Council, as regards access of competent authorities to centralised bank account registries through the single access point (Directive) – RADEV report – 2021/0244 (COD)**

Line set out in SI(2023) 188.

- **Amendment of Regulations (EC) N° 767/2008, (EC) N° 810/2009 and (EU) 2017/2226 of the European Parliament and of the Council, Council Regulations (EC) N° 1683/95, (EC) N° 333/2002, (EC) N° 693/2003 and (EC) N° 694/2003 and Convention implementing the Schengen Agreement, as regards the digitalisation of the visa procedure (Regulation) – NEMEC report – 2022/0132 (COD)**

Line set out in SI(2023) 230.

- **Amendment of Directive 2011/83/EU concerning financial services contracts concluded at a distance and repeal of Directive 2002/65/EC (Directive) – KOKALARI report – 2022/0147 (COD)**

Line set out in SI(2023) 231.

- **Amendment of Directive 2010/40/EU on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport (Directive) – PLUMB report – 2021/0419 (COD)**

Line set out in SI(2023) 232.

- **Union guidelines for the development of the trans-European transport network, amendment of Regulation (EU) 2021/1153 and Regulation (EU) N° 913/2010 and repeal of Regulation (EU) N° 1315/2013 (Regulation) – THALER & RIQUET report – 2021/0420 (COD)**

Line set out in SI(2023) 238.

- **Amendment of Council Regulation (EC) N° 1224/2009, and amendment of Council Regulations (EC) N° 768/2005, (EC) N° 1967/2006, (EC) N° 1005/2008, and Regulation (EU) 2016/1139 of the European Parliament and of the Council as regards fisheries control (Regulation) – AGUILERA report – 2018/0193 (COD)**

Line set out in SI(2023) 228.

- **Labelling of organic pet food (Regulation) – HÄUSLING report – 2022/0390 (COD)**

Line set out in SI(2023) 233.

- **Protection of the Union and its Member States from economic coercion by third countries (Regulation) – LANGE report – 2021/0406 (COD)**

Line set out in SI(2023) 235.

- **European single access point:**
 - **Establishment of a European single access point (ESAP) providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (Regulation) – SILVA PEREIRA report – 2021/0378 (COD)**
 - **Amendment of certain Directives as regards the establishment and functioning of the European single access point (Directive) – SILVA PEREIRA report – 2021/0379 (COD)**
 - **Amendment of certain Regulations as regards the establishment and functioning of the European single access point (Regulation) – SILVA PEREIRA report – 2021/0380 (COD)**

Line set out in SI(2023) 234.

- **Harmonised rules on fair access to and use of data (Data Act) (Regulation) – DEL CASTILLO VERA report – 2022/0047 (COD)**

Line set out in SI(2023) 236/2.

- **Allocation of the fishing opportunities under the Protocol on the implementation of the Sustainable Fisheries Partnership Agreement between the European Union and the Republic of Madagascar (Council Regulation) – 2023/0119 (NLE)**

Line set out in SI(2023) 227.

- **Position to be taken on behalf of the European Union in the 33rd meeting of the Energy Charter Conference (Council Decision) – 2022/0324 (NLE) / Position to be taken on behalf of Euratom in the 33rd meeting of the Energy Charter Conference (Council Decision) – 2022/0323 (NLE)**

Line set out in SI(2023) 242.

- **Council conclusions: The EU at the half-time of the implementation of the 2030 Agenda – Steering transformative change and expediting progress at all levels**

Line set out in SI(2023) 241.

The Commission took note of the following points:

- **European statistics on population and housing, amendment of Regulation (EC) N° 862/2007 and repeal of Regulations (EC) N° 763/2008 and (EU) N° 1260/2013 (Regulation) – PEREIRA report – 2023/0008 (COD)**

Information set out in SI(2023) 226.

- **Collection and transfer of advance passenger information (API) for enhancing and facilitating external border controls, amendment of Regulation (EU) 2019/817 and Regulation (EU) 2018/1726, and repeal of Council Directive 2004/82/EC (Regulation) – OETJEN report – 2022/0424 (COD) / Collection and transfer of advance passenger information for the prevention, detection, investigation and prosecution of terrorist offences and serious crime, and amendment of Regulation (EU) 2019/818 (Regulation) – KANKO report – 2022/0425 (COD)**

Information set out in SI(2023) 229.

- **Common framework for media services in the internal market (European Media Freedom Act) and amendment of Directive 2010/13/EU (Regulation) – VERHEYEN report – 2022/0277 (COD)**

Information set out in SI(2023) 237.

- **Results of the European Parliament’s June 2023 part-session**

Information set out in SP(2023) 305.

5. COORDINATION OF EXTERNAL ACTION (RCC(2023) 25)

The Commission took note of the operational conclusions in RCC(2023) 25 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 14 June 2023.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED

(SEC(2023) 215 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 12 and 18 June 2023.

6.2. EMPOWERMENT

(SEC(2023) 216 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 12 and 18 June 2023.

6.3. DELEGATION / SUBDELEGATION OF POWERS

(SEC(2023) 217 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 12 and 18 June 2023 archived in Decide.

6.4. SIGNIFICANT WRITTEN PROCEDURES

(SEC(2023) 218 AND /2)

The Commission took note of the significant written procedures for which the time limit expired between 19 and 23 June 2023.

7. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2023) 219)

ADMINISTRATIVE MATTERS

(PERS(2023) 60)

7.1. DG COMMUNICATION NETWORKS, CONTENT AND TECHNOLOGY – APPOINTMENT OF A DIRECTOR AT GRADE AD14/15

(PERS(2023) 61 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 ‘Digital Decade and Connectivity’ Directorate in DG Communication Networks, Content and Technology (PERS(2023) 61).

It took note of the opinions of the Consultative Committee on Appointments of 11 May 2023 (PERS(2023) 61/2 and /3).

The Commission proceeded to compare the applicants’ qualifications for the post. On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Mr BRETON, it then decided to appoint Ms Kamila KLOC to the post.

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

7.2. DG EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION – APPOINTMENT OF A DIRECTOR AT GRADE AD14/15

(PERS(2023) 62 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 ‘Working Conditions and Social Dialogue’ Directorate in DG Employment, Social Affairs and Inclusion (PERS(2023) 62).

It took note of the opinions of the Consultative Committee on Appointments of 20 December 2022 and 26 January 2023 (PERS(2023) 62/2 and /3).

The Commission proceeded to compare the applicants’ qualifications for the post. On a proposal from Mr HAHN, in agreement with the PRESIDENT, and

after consulting Mr SCHMIT, it then decided to appoint Ms Maria Luísa CABRAL to the post.

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

8. JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL ON ‘EUROPEAN ECONOMIC SECURITY STRATEGY’

(JOIN(2023) 20 TO /3; RCC(2023) 128)

The PRESIDENT introduced the joint Communication presented to the College that day, pointing out that the pandemic had demonstrated the importance of economic security, given the considerable impact on the EU’s health security of the problems arising from the supply chains for essential materials and medicines.

The Russian war of aggression against Ukraine had also exposed Europe’s dependence on gas supplies from Russia, a situation exploited for political gain by its President, Vladimir PUTIN. In addition, there were risks associated with the use of economic coercion by third countries, and the EU’s dependence on critical raw materials and rare earth elements.

Lastly, the PRESIDENT emphasised that the concept of economic security and risk reduction both applied to only a limited and clearly defined set of critical situations for which the EU needed to be better equipped.

Ms VESTAGER noted that the concept of risk reduction needed to be clarified. It was important to conduct a prior risk assessment in order to determine the mitigation measures required. The EU had some specific tools but no toolbox yet to alleviate these risks.

In the current geopolitical context marked by increased technological competition, Ms VESTAGER considered it essential that the EU should take control of its own

destiny, and that the Member States should act together. That was why the strategy presented that day was both timely and indispensable. It focused on economic security in the strict sense, the aim being to protect the EU from the weaponisation of economic interdependence by third countries. It did not therefore cover risks such as natural disasters, pandemics or climate change.

While the strategy did not mention any specific country, a geopolitical filter was nevertheless necessary to deal with the risks. The risks identified so far were based on the situation in certain third countries, and concerned for example the use of civilian technologies for military purposes, the misuse of technology in a way that undermined human rights, and risks arising from cybersecurity and industrial espionage.

The proposed methodology was, first of all, to identify the risks, and then decide which existing tools should be used to address them, what new tools needed to be developed, and which forums to take part in to cooperate with partner countries on this issue. Four risks had been identified so far, namely those relating to supply chains, critical infrastructure, technology security and economic coercion.

Ms VESTAGER ended by saying that one of the Commission's priorities would be to draw up a list of dual-use technologies by September based on a limited set of criteria. A risk assessment of these priority technologies would then be carried out jointly with the Member States by the end of the year in order to identify what instruments should be used at both national and European level.

Mr DOMBROVSKIS highlighted the delicate balance sought in the strategy between preserving the foundations of the EU's open economy and its commitment to its international partnerships, on the one hand, and bolstering its capacity to address the new economic risks arising from an increasingly complex geopolitical environment, on the other.

The first step was to build a shared understanding of the risks and determine the level of priority they occupied at EU level, in cooperation with the Member States

and stakeholders. Second, agreement would have to be reached on how best to address the identified risks, ensuring complementarity and overall coherence between internal and external policies.

Mr DOMBROVSKIS underlined the key role of trade policy in reducing risks, diversifying economies and helping other countries achieve their own green and digital transitions. The EU had already taken steps in recent years to strengthen its supply chains, critical infrastructure and technological base. Tools for foreign investment screening, international public procurement and combating coercion had also been developed. Using Foreign Direct Investment screening, the Commission and the Member States had examined over 1 000 transactions since October 2020. The Commission would assess the functioning and effectiveness of this cooperation instrument by the end of the year.

In view of the emerging threats, some Member States and third countries had strengthened their national mechanisms to limit exports of critical technologies. The uncoordinated introduction of national measures by Member States risked undermining the integrity of the Single Market. Talks should be launched on how to develop a more coordinated European approach, building on the existing framework, with a view to tabling a proposal by the end of 2023.

Mr DOMBROVSKIS added that the EU should also examine possible measures to address the security risks arising from outbound investment, in close cooperation with the Member States and stakeholders. The Commission would present an initiative on this matter by the end of 2023.

He ended by pointing out that the aim was to cooperate with the widest possible range of partners in implementing the economic security strategy. Efforts to strengthen multilateral cooperation should also be continued, for instance the push for reform of the World Trade Organization (WTO).

Mr BORRELL emphasised that this Communication, drawn up jointly by the Commission and the High Representative for the Common Foreign and Security

Policy, marked the EU's first step towards developing a European paradigm for shaping economic security. The use of economic tools to safeguard national and international security objectives was vital in the current geopolitical context. The protection and promotion of the EU's economic security must be fully integrated into the European Union's external action. Cooperation with third countries on economic security issues also needed to be stepped up.

The EU's international partners would be scrutinising this strategy to check all the implications. It was therefore paramount that these partners should understand that strengthening the EU's economic security was not a protectionist move, the intention being rather to cooperate with a wide range of third countries, even those that did not share the same values.

The EU's Common Foreign and Security Policy (CFSP) could play a significant role in enhancing the EU's economic security, not only through the use of restrictive measures but also through other instruments such as the Hybrid and Cyber Diplomacy toolboxes, and the Foreign Information Manipulation and Interference toolkit (FIMI). The EU's Single Intelligence Analysis Capability (SIAC) could also be tasked with working specifically to identify potential threats to EU economic security.

Mr BORRELL felt that a cautious approach to the screening of outbound investments was warranted in order not to reduce Europe's attractiveness for foreign investors, particularly in key technologies.

He ended by saying that the establishment of an EU framework on economic security would be a gradual process requiring in-depth reflection, at European level and between the Member States.

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

- the need to enhance economic security and overcome critical dependencies in

key sectors, including health, against a background of changing geopolitical realities;

- the requisite close cooperation with Member States in implementing the strategy in order to reap the full benefits of common action at EU level;
- a reminder that the EU's core strength lay in its Single Market;
- the importance of avoiding any perception of protectionism by third countries;
- the potential costs arising from outbound investment screening, and the need, therefore, to work closely with EU partners and develop new partnerships;
- the relationship between economic security and open strategic autonomy.

Following these presentations, the Commission approved the Joint Communication in JOIN(2023) 20/3 for transmission to the European Parliament, the European Council and the Council and, for information, to the national parliaments.

9. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – MID-TERM REVISION OF THE MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027

(COM(2023) 336 TO /3; SWD(2023) 336 TO /3; RCC(2023) 122)

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(COM(2023) 337 AND /2; RCC(2023) 122)

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CARBON BORDER ADJUSTMENT MECHANISM, REALLOCATED PROFITS AND THE STATISTICAL OWN RESOURCE BASED ON COMPANY PROFITS AND ON THE MEASURES TO MEET CASH REQUIREMENTS

(COM(2023) 333 AND /2; RCC(2023) 122)

At the invitation of the PRESIDENT, Mr HAHN presented the main aspects of the Commission proposal for a mid-term revision of the Multiannual Financial Framework (MFF) 2021-2027.

He first referred to the economic and political context in which the proposal for a revision had been made. High inflation, increased interest rates and Russia's war of aggression against Ukraine had had a direct impact on the EU budget, which could not have been anticipated when the current MFF had been adopted.

He nevertheless stressed that, after three years of successive crises, the Member States were now entering a phase of fiscal consolidation. In this connection, he noted that the Member States had insisted on the need for a very limited and targeted revision and for a robust justification of why their contribution to the EU budget should increase. He therefore emphasised the importance of providing the Member States with an ambitious yet realistic proposal.

Mr HAHN added that, in view of the pressing needs linked to the EU's political priorities and legal obligations, an agreement had to be reached before the start of November, so that it could be incorporated into the EU budget for 2024. In order to reach an agreement within the Council as quickly as possible, the guiding principle had been to exclude all aspects that would have meant touching national envelopes. It was therefore a question of focusing on urgent political priorities and the technical adjustments needed to tackle the most pressing common challenges and to ensure the effective use of EU budgetary resources.

The major political priorities included the firm commitment made to provide continued support to Ukraine, the particular attention that would have to be given to

asylum and migration issues, and the importance of investing in technological competitiveness to guarantee the EU's strategic autonomy. There was also a need to reach agreement on several technical adjustments related to the increase in interest rates and inflation, which had driven up NextGenerationEU borrowing costs and administrative expenditure linked to European public administration (Heading 7).

The proposed revision did not include an increase in the own resources ceiling, which set the maximum amount of national contributions to the EU budget – currently 2% of aggregate gross national income. The proposal did however provide for an increase in the EU expenditure ceilings set by the MFF, as well as flexibilities above those ceilings, thanks in particular to the strengthening of the Solidarity and Emergency Aid Reserve (SEAR) and the Flexibility Instrument. These measures would enable the EU to address the most pressing priorities and needs while at the same time guaranteeing a certain degree of budgetary flexibility.

As regards the priority given to Ukraine, Mr HAHN noted that a new Ukraine Facility was being proposed, consisting of three key pillars: (i) a multiannual plan prepared by the Ukrainian government with related financial support, (ii) a new investment and guarantee framework, and (iii) technical assistance and expertise in reforms. He emphasised the importance of a robust audit and control framework, in order to protect the EU's financial interests, guarantee a level playing field and create a business-friendly environment.

Mr HAHN stressed that, although the Member States had expressed a strong commitment to support Ukraine, looking beyond 2024, they considered it too early at this juncture to discuss the reconstruction of a country that was still at war. He pointed out that Ukraine's reconstruction would have to be envisaged at international level and in the long term. In this connection, he welcomed the multiannual nature of the Facility, which provided predictability and should inspire other donor countries.

For the period 2024-2027, the Facility would offer financing in the form of loans and grants amounting to a total of EUR 50 billion. The loan support would be financed by borrowing on financial markets and guaranteed by the EU budget via the difference between the MFF ceiling and the own resources ceiling. The grants would be financed through the EU annual budget under a new special instrument – the Ukraine Reserve – with resources over and above the MFF expenditure ceilings. It was proposed to allocate a total of EUR 33 billion in loans and EUR 17 billion in grants, taking account of Ukraine's debt sustainability. The budgetary proposal for Ukraine therefore sought to be both flexible enough to adapt to the realities on the ground and predictable enough to form part of a long-term approach.

The second political priority highlighted in the proposed MFF revision concerned migration, external partnerships and emergencies. At a time when migratory flows were increasing, Mr HAHN considered that the EU had to adopt a comprehensive approach, bringing together asylum and migration policies, border management and relations with the EU's partners on return agreements.

As regards the internal dimension of migration, he considered that the implementation of the new Pact on Migration and Asylum would need significant additional financing. He highlighted the needs linked to border procedures, reception, relocations and returns. He was therefore proposing to increase Heading 4 (Migration and border management) by EUR 2 billion.

With regard to the external dimension, Mr HAHN stressed the particular challenges experienced in the Southern Neighbourhood countries. It was essential to intensify cooperation with the countries of origin and transit, by covering all migratory routes, including the Western Balkans and Moldova, which were heavily impacted by the consequences of the Russian war of aggression in Ukraine. It was therefore proposed to increase Heading 6 (Neighbourhood and the World) by EUR 10.5 billion.

Lastly, Mr HAHN stressed that heightened economic and political instability around the world might lead to further needs, while the SEAR requests now exceeded the availabilities of the instrument. The SEAR would therefore have to be reinforced to the tune of EUR 2.5 billion for the period 2024-2027.

He then pointed out that one of the major discussion points of recent months had been the setting up of an instrument to boost the EU's competitiveness and strategic autonomy. He highlighted the very clear conclusions of the March European Council, which stated that the existing instruments had to be fully exploited and strengthened. It was imperative to support digital technologies, deep tech, clean technologies and biotechnologies. This approach was at the heart of the EU's collective commitment to future-proof Europe in a geopolitically unstable environment.

Mr HAHN explained that the new Strategic Technologies for Europe Platform (STEP) had been designed for this purpose and consisted of three fundamental pillars: i) making the existing instruments more streamlined and flexible to speed up the financing of key technologies, (ii) creating synergies, and (iii) reinforcing the firepower of certain instruments.

He indicated that providing greater flexibility in the existing instruments meant, in particular, making changes to cohesion policy by extending the scope to large companies and increasing pre-financing to 30% in 2024 and EU co-financing to 100%. Nevertheless, in order to preserve cohesion logic, these arrangements would not be possible for the Member States' most developed regions, where gross domestic product (GDP) per capita was above the EU average.

Synergies between different sources of financing would be created by setting up a one-stop shop to serve as an entry point to obtain financing. It was proposed to create a 'Sovereignty Seal' in parallel to act as a quality label for the projects, thus attracting more funding.

As regards increasing the firepower of the existing instruments, Mr HAHN stated that a fifth window in the InvestEU programme would be created to support STEP investment intended for companies and projects. New priorities concerning strategic autonomy would be established within the Innovation Fund and the European Innovation Council to include projects contributing to the platform's objectives. To finance these priorities, the allocation for InvestEU, the Innovation Fund, the European Innovation Council and the European Defence Fund would be boosted by EUR 10 billion.

By using existing multipliers, the investment generated by the proposed additional financing could amount to EUR 110 billion. An additional EUR 50 billion could also be mobilised through the possibility of transferring 6% of the total Recovery and Resilience Facility allocation to the InvestEU Member State compartment and the possibility of reprogramming 5% of cohesion policy funds.

Mr HAHN then referred to the budget lines covering NextGenerationEU borrowing costs. They had initially been estimated at around EUR 15 billion for the whole MFF 2021-2027, but they would now be used up by the summer. The EU would under all circumstances continue to fulfil its obligations towards bondholders, but the ability of the budget to use flexibilities and margins was simply exhausted. He emphasised that the additional needs, which were due to the increase in interest rates – from virtually zero in 2020 to more than 3% today – were not called into question by the Member States.

He highlighted the difficulty of forecasting the evolution of these costs in the coming years, noting the differences between the modelling results of credit rating agencies in different Member States. He therefore stressed the need to find a structural solution better suited to dealing with the volatility of interest rates that were highly sensitive to market developments. Consequently, he proposed to create a special instrument outside the MFF ceilings. This instrument was intended exclusively to cover interest cost overruns, with a specific allocation to be determined annually.

With regard to the Commission's legal obligations, Mr HAHN noted that high inflation had had an impact on commitments towards staff and on expenditure such as rent, cleaning, security services and IT. He reminded the College that expenditure related to European public administration under Heading 7, including salaries and pensions, represented less than 7% of the total EU budget for all the institutions. The Commission's cost-saving measures, such as reducing office space by 30% by 2030, reducing mission and representation expenditure, and reducing energy consumption, had now reached their limit.

He also noted that many additional tasks had been assigned to the Commission since 2020 without a corresponding increase in its staff. He pointed out that very strict reallocation measures had been applied, and that more than 900 posts had already been redeployed to support the EU's major political priorities, leaving no room for further adjustments. He therefore considered that the administrative budget needed to be adjusted in order to allow the EU to comply with its legal obligations and perform these new tasks. As a result, he suggested gradually adding 885 additional posts for all institutions, of which 600 posts would be allocated to the Commission. Overall, he proposed to increase Heading 7 by EUR 1.9 billion and to strengthen the flexibility instrument of the EU budget by increasing it by EUR 3 billion.

Mr HAHN concluded by stressing that the current situation was unsustainable for the EU budget, particularly when compared with the budgets of the Member States. He reminded the College of the difficulties that inflation created for the EU budget, which was limited by a fixed deflator of 2%. Whereas Member States' revenue kept pace with spending in times of inflation, the increase in EU budget ceilings was limited to 2%, leading to a loss in real value for the budget when inflation exceeded this rate, as was currently the case.

Mr HAHN then moved on to describe the proposal on the introduction of new own resources. When the MFF and NextGenerationEU had been adopted in December 2020, the European Parliament, the Council and the Commission had agreed on a roadmap for introducing new own resources for the repayment of

NextGenerationEU.

In line with this agreement, the Commission had proposed three new sources of revenue in December 2021, involving contributions from the Emissions Trading System (ETS), the Carbon Border Adjustment Mechanism (CBAM) and part of the profits of the largest multinationals in the context of the implementation of Pillar I of the Organisation for Economic Cooperation and Development (OECD) agreement on the taxation of the digital economy.

Mr HAHN stressed the need for the rapid introduction of new own resources, taking into account the substantial amounts provided for each year in the next financial framework for the repayment of NextGenerationEU. In order to speed up the process it was imperative to propose new own resources that were simple, likely to be approved quickly and capable of generating sufficient revenue for the EU budget. This would also send a clear signal to the financial markets, and in particular to the rating agencies, which were following the discussions on the new own resources closely.

In this context, Mr HAHN explained that the current proposal took into account the changes made following the agreement on the Fit for 55 package, as well as the introduction of a new own resource based on corporate profits. He stressed that the amended own resources Decision did not provide for any changes to the CBAM own resource or the OECD Pillar I own resource.

He then described in detail the main elements of the proposed adaptation. In terms of the ETS own resources, the proposal mainly took into account two developments. First, the Social Climate Fund would be financed from 2026 with external assigned revenues. Mr HAHN therefore proposed to postpone the introduction of the ETS own resource until 2028, at the beginning of the next MFF.

Secondly, he noted that the carbon price was well above the estimated price when the Commission had presented the legislative proposals of the Fit for 55 package in July 2021. The modelling carried out at the time had assumed a carbon price of

EUR 55 by 2030, whereas the prices observed were currently above EUR 80 and expected to continue to rise over time. Member States' annual revenues from auctioning carbon emissions allowances had doubled to more than EUR 30 billion in just two years. The Commission therefore proposed to increase the call rate from 25% to 30% for the ETS-based own resource, which would still leave Member States' revenues higher than initially expected.

Mr HAHN then pointed out that the amended own resources Decision included a new own resource linked to the corporate sector, in accordance with the 2020 Interinstitutional Agreement. He explained that this statistical own resource based on company profits would be established on a temporary basis pending the possible establishment of an own resource based on an underlying tax proposal, such as the corporate income tax 'Business in Europe: Framework for Income Taxation' (BEFIT). It would be calculated by applying a call rate of 0.5% to the gross operating surplus of the companies, which was an approximate estimate of the undertakings' potentially taxable aggregate profits.

He specified that this was not a tax, but a contribution from the Member States based on statistics compiled by Eurostat, with a mechanism similar to that of existing own resources, such as those based on gross national income or plastic. He stressed that this new own resource, established on the basis of existing statistics, would be Treaty-based and would not require an underlying sectoral proposal.

Mr HAHN concluded that the adjusted proposal should make it possible to generate annual revenue of around EUR 36 billion from 2028. He stressed the importance of generating an adequate amount of revenue, given recent market developments that called for careful planning of the long-term funding costs of NextGenerationEU. Finally, he stated that all the necessary elements were now on the table to allow for a swift agreement.

Mr VÁRHELYI then presented the new Ukraine Facility in more detail. Given the scale of the needs resulting from Russia's war of aggression against Ukraine, it was

proposed that the Commission adopted a new special instrument dedicated to support for Ukraine for the period 2024-2027. This new instrument would support the needs of the Ukrainian State and the recovery and reconstruction, as well as modernisation, of the country, with a view to making it more resilient, and would link all of these actions to Ukraine's path towards EU accession.

The Facility would bring together and replace most of the current bilateral funding for Ukraine, such as macro-financial assistance+ funding (MFA+) and allocations under the Neighbourhood, Development and International Cooperation Instrument (NDICI). However, humanitarian aid, defence spending and support for people fleeing the war would continue to be funded via existing instruments.

The Facility was designed in such a way as to ensure a balance between the predictability that was required for reconstruction and reform efforts in the long term and the flexibility that was indispensable in a context of significant uncertainties. The structure of the Facility was based on three pillars, with Pillars II and III designed to support the implementation of Pillar I.

Pillar I would cover the vast majority of the financial support in the form of grants and loans to the Ukrainian State. In this connection, the government of Ukraine would prepare a recovery, reconstruction and modernisation plan, which would also include reforms to be undertaken as part of the accession process. The plan would then be assessed by the Commission and adopted by the Council in the form of an implementing Decision. Payments under this pillar would be performance-based, and would support the macro-financial stability of the country, and the promotion of investment in reconstruction and modernisation.

Pillar II would establish an investment framework for Ukraine in order to help attract private and public investments through different financial instruments, blending and guarantees.

Lastly, under Pillar III, the Facility would provide technical assistance and other forms of support, such as mobilisation of expertise on reforms, which were normally

available under the Instrument for Pre-accession Assistance (IPA).

Support under the Facility would be subject to compliance by Ukraine with certain conditions, in particular in relation to democracy, rule of law and respect for human rights, including those of minorities. These preconditions would apply to any financing under the Facility, even in exceptional circumstances, and no payment would be possible unless these preconditions were met.

Mr VÁRHELYI then turned to the question of safeguards and explained that, given the many uncertainties, the proposal included two safeguards to enable funds to be provided to Ukraine in specific situations. He first described the ‘bridging clause’, which would cater for a scenario in which either the Ukraine plan (Pillar I) was not yet in place or the framework agreement, which made elements such as audit and control arrangements binding upon Ukraine, had not yet been signed on 31 December 2023. In this scenario, it would be possible to provide exceptional financing not exceeding EUR 1.5 billion per month for up to 3 months or until 1 January 2024 (whichever was later) in order to ensure the macro-financial stability of the country until such time as the plan and framework agreement were in place.

The second safeguard allowed for exceptional financing in a situation where, even with a plan agreed and in place, something unforeseeable or exceptional related to the war were to happen, such as to prevent Ukraine meeting the conditions for support under Pillar I. In such a situation, the EU would be able to provide exceptional financing by way of grants and/or loans, through a Council implementing Decision based on a proposal by the Commission. However, certain basic preconditions for funding such as democratic mechanisms, rule of law and respect for human rights would still need to be met.

Mr VÁRHELYI concluded with some remarks on audit and control. Given the unprecedented amount of assistance expected to be delivered, robust audit and control rules had been established to protect the financial interests of the Union. In particular, a dedicated Audit Board would be set up to assist the Commission by

reporting on any mismanagement of the funds and by making recommendations to Ukraine.

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

- the support from the entire College for the package of measures proposed for the mid-term revision of the EU's Multiannual Financial Framework (MFF), which were considered to be balanced and credible, but also ambitious in terms of pursuing the EU's main political priorities;
- the value of the proposed package as a means of mobilising other donors to provide support to Ukraine;
- the expediency of applying to the Ukraine Facility the lessons learnt from experience with the European Recovery and Resilience Facility by adopting an overarching approach geared to the EU's strategic priorities, namely the green and digital transition, resilience and competitiveness;
- the need also to draw lessons from the difficulties encountered in implementing the Recovery and Resilience Facility and to take them into account for the purposes of implementing the Ukraine Facility;
- in this connection, the key role that the Commission could play in defining a reconstruction and reform plan for Ukraine;
- the balance struck between structural assistance under the Ukraine Facility on the one hand and emergency assistance on the other, thanks to the bridging clause between the two instruments that ensured constant and appropriate support for Ukraine;
- the importance of mobilising public and private investment in close cooperation with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD);

- the case for considering using frozen Russian assets in the context of the future reconstruction of Ukraine and of tabling an initiative to that effect in the near future;
- the welcomed establishment of the Strategic Technologies for Europe Platform (STEP), which should help maintain a level playing field;
- with that in mind, the importance of ensuring that the platform could act swiftly, so as to encourage private investors in particular to contribute to the implementation of this new instrument, which mobilised various funds in an intelligent way based on common objectives;
- the usefulness in this regard of the equity support provided by the European Innovation Council (EIC) as a means of enabling more risk-taking when making investment decisions, particularly in the case of start-ups or small and medium-sized enterprises;
- the importance, in this context, of allocating the necessary additional funds to the EIC in the mid-term revision of the MFF;
- the difficulties that lay ahead with regard to the financing of transport infrastructure projects in view of the small budget available under the MFF;
- the importance, nevertheless, of continuing to develop transport infrastructure in Ukraine as part of reconstruction efforts and in the context of the country's participation in trans-European transport networks and the Connecting Europe Facility (CEF);
- the progress made in this regard by the Ukrainian authorities, who had drawn up a strategic plan to develop sustainable transport systems;
- a reminder that Ukraine had not yet reached the reconstruction phase and that the military support provided by the EU, which was therefore still crucial, made it necessary to increase the EU's production capacity by strengthening the

European defence industry through common procurement (EDIRPA) and supporting ammunition production (ASAP);

- the major consequences that budgetary constraints could have on the EU's capacity to provide humanitarian aid in crisis situations and on the management of the European External Action Service (EEAS);
- the financing arrangements for humanitarian aid, which more often than not depended on budgetary increases based on flexibility margins that were no longer available under the current MFF and for which no top-ups were planned in the proposed mid-term revision;
- in this context, the need for awareness of the fact that it would be difficult for the EU to provide significant amounts of aid in future humanitarian crises;
- the importance of not calling into question the EU's support for its international partners by giving particular priority to Ukraine;
- the specific problems relating to the management of the EEAS given the context of significant budget constraints and widespread cost increases owing to rising inflation in many third countries;
- the need to make provision for funding to prevent the proliferation of disinformation within the EU and internationally;
- in the area of migration, the welcome increase in the budget for both the internal and external dimensions of migration policy, which ought nevertheless to be viewed in the broader context of the EU's development aid for its partners in third countries;
- generally speaking, the desire expressed by some that the proposed STEP platform should be viewed as a first step towards the establishment of an independent sovereign fund with its own tools;

- the usefulness of such a fund as a means of guaranteeing a level playing field since the temporary framework for State aid could only be of benefit to Member States with fiscal space;
- the challenge of communicating on this ambitious and realistic package of measures such that the Member States would be convinced that a mid-term revision of the MFF was necessary owing to the many crises that had already had a severe impact on the EU budget;
- in this context, the need to show Member States that the EU budget, which would increase under the proposed MFF revision, would not exceed 1% of the EU's gross national income (GNI), as had initially been requested by the Council when the current MFF was being drawn up;
- the highly political nature of the MFF mid-term revision process, which set out clear guidelines for the EU's main priorities;
- with regard to the creation of new own resources, the need, in the context of the upcoming European elections, for clear and tailored communication targeting the general public and the media to ensure that the resources were not viewed as a new tax;
- in this context, the advisability of identifying own resources that limited negative consequences for citizens, in particular by securing contributions from the financial sector, which had been significantly shored up by taxpayers' money following the 2008 financial crisis;
- the advisability of also informing the public of the benefits they could expect from the mid-term MFF revision.

In response to certain questions raised by the Members of the College during the discussion, Mr HAHN explained that the European Innovation Council (EIC) would not only receive an additional allocation of EUR 0.5 billion but would also benefit

from an internal redeployment of resources under the Horizon Europe programme, amounting to EUR 2.1 billion. As regards the new statistical own resource based on company profits, he pointed out that the financial sector was included in the statistical reference indicator, while self-employed people and one-person companies were not taken into account.

He felt that the proposed increase in the Multiannual Financial Framework would help to offset the losses caused by inflation, thereby taking the EU budget to around 1% of the EU's gross domestic product. In his view, the proposal was both ambitious and well-balanced, and he stressed that it was important for the Commission to adhere to the proposed line in future discussions with the co-legislators.

The PRESIDENT wound up the debate by stressing the need for the Member States to see through the reforms and investments planned under NextGenerationEU in a timely manner. This would illustrate the effectiveness and success of the instrument, which could then serve as a model for other instruments in future.

Following these presentations, the Commission:

- approved the Communication in COM(2023) 336/3 for transmission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments, together with staff working document SWD(2023) 336/3, the contents of which were noted;
- adopted the proposal for a Council Regulation in COM(2023) 337/2 for transmission to the European Parliament and the Council and, for information, to the national parliaments;
- adopted the proposal for a Regulation in COM(2023) 338/3 for transmission to the European Parliament, the Council, the European Court of Auditors and the national parliaments;

- adopted the proposal for a Regulation in COM(2023) 335/3 for transmission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments;
- approved the Communication in COM(2023) 330/3 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 amended proposal for a Council Decision in COM(2023) 331/3, for transmission to the European Parliament and the Council and, for information, to the national parliaments, together with staff working document SWD(2023) 331/3, the contents of which were noted;
- adopted the amended proposal for a Council Regulation in COM(2023) 332 for transmission to the European Parliament and the Council and, for information, to the national parliaments;
- adopted the amended proposal for a Council Regulation in COM(2023) 333/2 for transmission to the European Parliament, the Council, the European Court of Auditors and, for information, to the national parliaments.

**17. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS: ANNUAL MANAGEMENT AND PERFORMANCE REPORT FOR THE EU BUDGET – FINANCIAL YEAR 2022
(COM(2023) 401 TO /3; RCC(2023) 130)**

Mr HAHN presented the Annual Management and Performance Report for the EU budget, pointing out that, through this report, the Commission took political ownership of how it managed the EU budget. The report was the Commission's main contribution to the annual budgetary discharge process.

It highlighted several notable achievements of the EU budget and of the Recovery and Resilience Facility in 2022, for example the EUR 75 billion paid out to Member States from the Facility, support for 413 000 companies and access to modernised health facilities for 28 million people.

Mr HAHN stressed that this was a robust report which, as in previous years, drew on an excellent organisational and accountability chain. He added that intensive discussions would be held with the European Court of Auditors in the coming months.

He ended by encouraging every Member of the Commission to use the Annual Management and Performance Report as a communication tool, as it contained practical examples of the Commission's achievements through the EU budget.

Following this presentation, the Commission:

- approved the Annual Management and Performance Report for the EU Budget – financial year 2022 – in COM(2023) 401/3, for transmission to the European Parliament, the Council and the European Court of Auditors, and, for information, to the national parliaments, indicating a link giving access to all the annual activity reports (https://ec.europa.eu/info/publications/annual-activity-reports_en);
- took note of the fact that each Member of the Commission had been made aware of the Annual Activity Report and of the declaration presented by their Director(s)-General or Head(s) of Service, and that a reference to this dialogue was specifically mentioned in each Annual Activity Report;
- took note of the fact that the declarations of assurance contained in the Annual Activity Reports did not cover the Members' cabinets and their expenditure;
- authorised Mr HAHN, the Member of the Commission with responsibility for the Budget and Human Resources, to present the report to the discharge

authority;

- took note of the supporting documents circulated by secure e-mail on 11 June 2023, namely (i) the Annual Report of the Audit Progress Committee for the period from June 2022 to May 2023, distributed as SEC(2023) 401, and (ii) the documents with reference Ares(2023) 3678467: the annual report on the internal audit for 2022, and the general opinion of the internal auditor for 2022 together with the related working document.

18. OTHER BUSINESS

OUTCOME OF THE PRESIDENT'S VISIT TO LATIN AMERICA

The PRESIDENT briefed the College on her recent visit to Latin America from 12 to 15 June, during which she had met the political leaders of Brazil, Argentina, Chile and Mexico. She made the general point that these countries shared the European Union's values, which made it all the more important for the EU to step up its engagement with the region. Three main topics had been discussed during her visit: trade agreements with the countries concerned, the role of the EU's Global Gateway strategy and Russia's war of aggression against Ukraine.

The PRESIDENT reminded the meeting that three free trade agreements were under discussion with countries in the region, namely with Mercosur (Argentina, Brazil, Paraguay and Uruguay), Chile and Mexico. At the request of the European Parliament and certain Member States, the EU had recently sent an additional letter as part of the negotiations with Mercosur in order to clarify the concepts of sustainability and the protection of biodiversity. She said that a response was currently awaited and that there was a common determination to conclude the agreement by the end of 2023. She also noted that the agreement with Chile had already been finalised at political level and that, after the legal formalisation procedure that was currently under way, it too could be concluded by the end of the

year. As regards the agreement with Mexico, some points were still open, particularly on the question of energy. However, following discussions with the Mexican President, she noted that both parties were determined to complete the negotiations before the end of the year.

The PRESIDENT observed that the Global Gateway strategy had been broadly welcomed. She had thus been able to sign a flagship agreement with Brazil on renewable energies and a strategic partnership with Argentina on critical raw materials. The two countries had well understood the major benefits they could reap from the strategy compared with the current agreements on the extraction and processing of raw materials which they had concluded with other global players.

Finally, as regards Russia's war in Ukraine, the PRESIDENT noted that Chile was fully aligned with the EU position and that the other countries in the region supported the view that Russia's invasion was a flagrant breach of the Charter of the United Nations and its founding principles.

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 12.44.